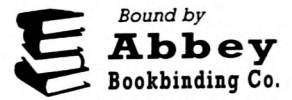


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# **The Role of the Marketing Interface in the Development of Libyan Small and Medium-sized Tourist Enterprises**

**By**

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## ABSTRACT

This research study explores the significance of the marketing interface for small and medium-sized enterprises in the Libyan tourism industry. The choice of Libya as the context for this research is highly relevant for two reasons. First, no similar studies concerning Libya have been previously undertaken. Second, the tourism industry has progressed since the announcement by the government to diversify the economy and is an excellent example of the role of the small firm in diversifying an economy that has been largely dominated by the state and heavily dependent on oil revenue for almost three decades. The tourism industry is seen as the best alternative to oil as the country is regarded as one of the most alluring tourist destinations in the World.

These developments have prompted research into whether entrepreneurial and small business marketing has a significant role in the evolution of the industry through the small and medium-sized enterprise sector. The research considers the management of the small enterprise and in particular the marketing practices applied by the small firm. It also examines whether the owner/managers' abilities and experience are relevant to the success of the firm through the marketing interface. The research extrapolates a hierarchy for the significance of the factors that influence the marketing interface that is both rigorous and definitive.

The research uses both quantitative and qualitative data collected through questionnaires and interviews with various small enterprise owner-managers working in the Libyan tourism industry to develop a conceptual framework. The findings indicate that small firms are oriented towards the marketing interface and this contributes to their overall performance.

This study also confirms the importance of the small firm to the success of the Libyan tourism industry and it reinforces the need for politicians, policy makers and stakeholders in the industry to give greater support to promoting entrepreneurship and small firm development. The investigation concludes by making recommendations for further areas of research regarding the marketing interface in the small firm sector not only in the tourism industry but also in other sectors of the Libyan economy.

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### CERTIFICATE OF RESEARCH

This is to certify that, except where specific reference is made, the work described in this thesis is the result of the candidate. Neither this thesis, nor any part of it, has been presented, or is currently submitted, in candidature for any degree at any other university.

Signed



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# CHAPTER 1: INTRODUCTION

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter presents an overview of the ideas and issues which form the basis of the thesis. Many of the issues raised are dealt with in depth later in the thesis, but suffice at this stage to give the reader a flavour of what is to come. The primary concern of this study is the role of the marketing interface in the development of small and medium-sized enterprises (SMEs) in the Libyan tourism industry. The study focuses on how Libyan SMEs view the marketing interface and the factors that affect the interface. The study is concerned with small and medium-sized tourist enterprises (SMTes) as they form the basis of the Libyan tourism industry. Over 90% of these enterprises fall within the private sector.

#### **1.2 Definitions**

The term small and medium-sized enterprise incorporates three primary classifications (micro, small and medium businesses). The research adopts the definition provided by the European Community which defines micro enterprise as fewer than 10 employees with a turnover of less than €2 million. A small enterprise is defined as between 10 and 49 employees and a turnover of less than €10 million. While a medium enterprise is defined as a business with fewer than 50 and more than 250 employees with an annual turnover of less than €50 million. (European Commission, 2003)

The term 'marketing interface' is defined for the purpose of this research as the process of finding out how SMEs' perceive and undertake marketing in their business, which contains a fundamental variety of forces within and beyond the small firm, it is the crossing point between the SME and other external social entities. More definitions and exploration of the term marketing interface will be covered in chapter three of this thesis.

#### **1.3 Delimitation of Scope and key assumptions**

Small and medium-sized enterprises working in the Libyan tourism industry are chosen as the context of this research. The focus is the role of the marketing interface

in SMTEs, and not characteristics of a particular marketing function (e.g. pricing or place). Experiences of such organisations may differ from larger organisations. The study is limited to an examination of how Libyan SMTEs currently perceive the marketing interface and what factors influence it as well as identifying barriers that might hinder the application of the marketing interface in the small firm. The study provides an organisational account of how SMTEs view the marketing interface and factors that influence the successful use of the interface in Libyan SMTEs.

#### **1.4 Overview**

Many researchers have claimed that marketing theories are not wholly applicable to small firms as they have their own characteristics which are different from larger firms (Cohn and Lindberg, 1972; McNamara, 1972; Carson, 1985; 1990; Hills, 1987; Peterson, 1989; Carson and Cromie, 1990; Brooksbank et al., 1992; Liu, 1995; Hogarth-Scott et al., 1996; Hill and Wright, 2001). Tourism in Libya is relatively new and business in tourism started with the new governmental policies of diversifying the economy to ease the dependence of the economy on oil. This development has encouraged many entrepreneurs to start their own businesses in tourism and tourism related activities. In general, small businesses in the services sectors are considered a new phenomenon in the modern Libyan economy as the country has been supporting state owned businesses (socialist state). This study has considered the role of small firms in Libyan tourism development, an evaluation of the competitiveness and the problems faced by Libyan tourism SMEs, the role of public policy in the Libyan tourism industry and the marketing interface of Libyan tourism enterprises. The research was undertaken in four stages. Stage one involved an assessment of the existing small and medium-sized tourist enterprises' environment, in Libya. Stage two investigated the marketing interface in the development of Libyan tourism SMEs undertaken by the development of a questionnaire. Stage three followed with detailed qualitative analysis, which leads to stage four where principal factors involved in the marketing interface are identified.

The tourism industry in Libya has passed through different stages marked by a number of events that have left their 'print' on the industry. These commenced with new laws allowing the formation of private companies to operate in most of the service sectors, including tourism in 1987. This was followed by the establishment of



the Ministry of Tourism in 1995 which initiated the country's first Tourism Master Plan in collaboration with the World Tourism Organisation (WTO) and the United Nations Development Programme (UNDP). The plan recommended the formation of the Tourism Investment and Promotion Body which was endorsed by the People's Congress in 1998 as a direct result of the recommendation of the Tourism Master Plan. In 1997, the government took further steps towards a liberated economy by creating a board responsible for the encouragement of foreign investment in the country and passed Law No 5 for the encouragement of foreign direct investment (see Chapter 5).

From a review of the existing literature, one overall aim and six sub-objectives are developed to investigate the role of the marketing interface in the development of small and medium-sized enterprises within the Libyan tourism industry. The overall aim of this thesis is:

*"To examine the concept of the marketing/entrepreneurship interface within the context of growth-seeking Libyan tourism SMEs"*

#### Research Objectives:

The literature on marketing in developing countries, and in tourism marketing in particular, requires an empirical base. This has led to deficiency in the literature which is based on a subjective point of view. Furthermore, the literature on tourism marketing is deficient since nothing is really known on a systematic basis about the activity. This is due to the fact that tourism is a recent phenomenon in these countries which requires investigation. However, marketing has a potential role to play in promoting tourism business.

The importance of tourism marketing for the industry has been recognised by the Libyan government, as these activities are regarded as vital to diversify the economy. Moreover, the lack of literature in this field creates the need for exploratory research in the area to highlight how firms pursue marketing. Additionally, literature on tourism marketing in Libya is required to bridge the gap in knowledge and to provide a better understanding of tourism marketing practices in developing countries.

The objectives of this research concentrate on issues contextualising the marketing/entrepreneurship interface within Libyan small and medium-sized tourist enterprises (SMTes). The research objectives are as follows:

**Objective one:** To gain an insight of the small and medium-sized enterprises within the Libyan tourism industry.

**Objective two:** To determine the key dimensions and parameters of what constitutes the marketing/entrepreneurship interface for Libyan tourism SMEs.

**Objective three:** To enhance understanding of the management processes, activities and abilities embedded within the marketing/entrepreneurship interface across a variety of Libyan tourism SME development contexts.

**Objective four:** To identify those management processes and activities which represent small business marketing activities within the participant tourism SMEs.

**Objective five:** To contrast and compare the SME marketing practices revealed in the study with traditional marketing theory/concepts as embedded within the conventional marketing literature.

**Objective six:** To identify characteristics of the entrepreneur/owner/manager which are relevant to the success of the small firm through the marketing interface within Libyan small and medium-sized enterprises.

### **1.5 An Outline of the Research**

The first part of this research is a review of relevant existing research. Given the nature of the phenomenon under investigation, two literature bases were explored, namely the small firm and marketing. This material can be viewed in the following literature. Furthermore, they draw from general small business and marketing literature, respectively. The literature review enabled the researcher to benefit from previous research which provided the basis for the investigation of the role of the marketing interface in the development of Libyan SMTEs.

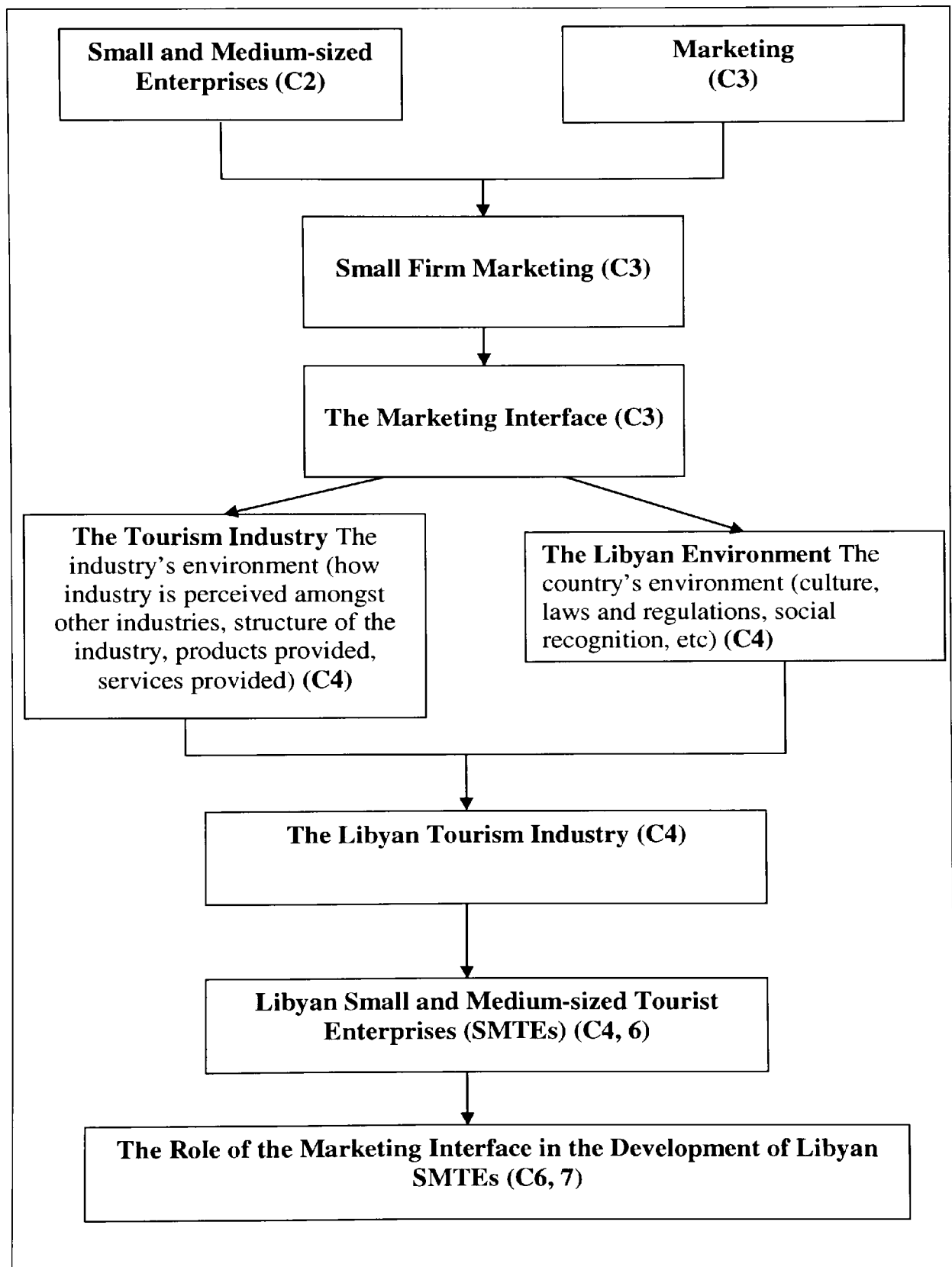
The research consisted of two stages. Firstly, questionnaires were distributed to owner/managers of 225 small and medium-sized enterprises with the aim to understand how SMTEs operate in the Libyan environment and how they perceive marketing. Another questionnaire was distributed to 200 holiday makers who had just completed a holiday in Libya to gain an idea of people who are benefiting from the services provided by the SMTEs and how they regard tourism in the country with regard to services provided. The second stage of the research involved semi-structured interviews with SMTE owner/managers to further elaborate points in

response to the questionnaire, and to identify the characteristics of the Libyan SMTE owner/managers.

### **1.6 Thesis Structure:**

The thesis is arranged into seven chapters and the structure is presented in Figure 1. This shows the sequential relationship of each of the chapters in the thesis concerning the development of the analysis of the role of the marketing interface in the development of Libyan SMTEs.

**Figure 1.1: Diagram of the sequential relationship in the chapter thesis structure**



Chapter two provides a general view of small and medium-sized enterprises and the small firm sector. It discusses the importance of such a sector as well as its economic contribution and the problems likely to face small firms. It also considers entrepreneurship and the characteristics of entrepreneurs. The chapter ends by investigating the small firm in the tourism industry.

Chapter three focuses on the marketing process and how marketing has evolved and provides different marketing definitions. It concentrates on the evolution of marketing from being a process, to a philosophy. It also considers marketing orientation through explanation of different research contributions to marketing orientations during the last 50 years. It further explains the four most popular approaches to marketing applicable to small firms. The chapter concludes by showing the relationship between marketing and entrepreneurship.

The fourth chapter concentrates on the research environment. It is divided into three sections, where section one looks at the Libyan environment, section two explores the tourism industry in general and section three looks at the Libyan tourism industry. The first section in this chapter considers Libya in general terms which includes the historical and geographical background. It then progresses to the Libyan economy and how it is structured including recent developments in Libya with emphasis on laws passed by the government to diversify the economy and make it less dependent on one source (the oil industry) which has been the case for the last three decades. Section two focuses on the tourism industry in general. It pays particular attention to definitions of tourism and international tourism and its impact on the economy. It also considers the major determinants and influences of the tourism industry as well as explaining the characteristics of the industry and forms of tourism in the international market. Finally, section three investigates the Libyan tourism industry, it identifies the structure of the industry and examines the organisational development and lists leading attractions which form the tourism products. It then considers Libyan tourism enterprises and their structure and how tourism is perceived in the economy. It concludes by investigating the challenges to the development of Libyan enterprises within the tourism industry.

Chapter five focuses upon the research methodology and the research objectives and hypotheses. It defines the philosophy of the research and methods used for data collection. It also describes the research stages and the difficulties experienced in conducting the research.

Chapter six reports on the research findings and analysis of both quantitative (questionnaires) and qualitative (semi-structured interviews) approaches used in this research. It discusses findings and analysis in relation to each of the research objectives and hypotheses of the research. It compares the literature with the results obtained from the study using the SNAP and SPSS software to analyse and interpret the results.

Chapter seven outlines the conclusions and recommendation, as well as defining problems facing SMTEs in Libya. It also identifies areas for future research.

### **1.7 Conclusion**

This chapter provides the foundation for the thesis. It introduces the research question, objectives and hypotheses. The structure of the thesis is outlined to cover all areas related to the research where chapters two, three and four explore small and medium-sized enterprises, marketing and the research environment, and then chapter five considers the research methodology, followed by chapter six with the research findings and analysis and chapter seven conclusions and recommendations. On this basis the thesis proceeds with a detailed description of the research. The following chapter reviews the literature on small and medium-sized enterprises, entrepreneurship, and the development of research in this field.

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## **CHAPTER 2: SMALL AND MEDIUM-SIZED ENTERPRISES**

## **CHAPTER 2**

### **SMALL AND MEDIUM-SIZED ENTERPRISES**

#### **2.1 Introduction**

Research into small and medium-sized enterprises was initiated more than one hundred years ago. Adamson and Lightowlers (1996) referred to the 1898 Sherman Act which stated that a strong and healthy small business community has always been recognised as the best way to preserve business competition in a capitalist society, prevents monopolistic control of industries, and assures the benefits of competition through better prices and quality products. There is no one single unified definition of the term small and medium-sized enterprise because there is little agreement among interested parties in a single definition, and it is difficult to compare businesses in different sectors of the economy. The size of a small business can be defined in many ways. For example, by the value of its annual sales or shipments, its annual gross or net revenue, the size of its assets, or by the number of employees.

Irrespective of whether one looks at developed countries, such as the USA, UK and Japan or developing countries such as China, Malaysia and Egypt, a dynamic and vibrant SME sector is playing a key role in the successful economic growth of these countries. Given the importance of SMEs in any economy it is no surprise that almost all the countries in the World place special emphasis on supporting and strengthening their SMEs through a variety of support institutions and programmes. SMEs need this support to overcome the economic and competitive disadvantages that they face because of their size.

#### **2.2 Growing Interest in the Small Firm Sector**

The contribution that small firms make to economic well being is frequently iterated throughout the small business literature (Bolton, 1971; Birch, 1979; Hisrich, 1986; Acs and Audretsch, 1990; Storey, 1994; Hill and McGowan, 1999; Frederick, 2000; Reid and Smith, 2002). Indeed, in many countries, the small business sector is seen as a major source of employment, revenue generation, innovation and technological advancement (Kotey and Meredith, 1997; Westall and Cowling, 1999; Dana et al., 2000). There is a general consensus that the small firm sector has seen a marked



revival in recent times, particularly within the last twenty five years (Barkham et al., 1996; Frederick, 2000). Many explanations are offered for such a revival:

- A development of rationalisation has taken place, whereby larger firms have moved out of markets which have become uneconomical for them to serve (Binks and Coyne, 1983). This creates market niches which can be profitably filled by small, local firms (Barkham et al., 1996; Audretsch et al., 1999). Subcontracting out peripheral activities is another form of rationalisation which creates opportunities for small firms (Bannock, 1987; Shutt and Whittington, 1989; Frederick, 2000).
- Over time, as the reliance on manufacturing and production industries diminishes, economies have become more dependent on services, especially business services (Ebbinghaus and Visser, 1999; Frederick, 2000). Such services are believed to be best supplied by small firms (Bryson et al., 1993).
- Technological advances have benefited small firms, for example, by lowering minimum efficient levels of production (Piore and Sabel, 1984; Lynn et al., 1999; Frederick, 2000).
- As consumers become more affluent and discerning, the mass marketing approach, once so popular, has been replaced to a certain extent by differentiation and customisation (Stanworth and Gray, 1991; Webster, 1992; Murray and O'Driscoll, 1996; Gummesson, 1997). Such consumer demands are again thought to be best fulfilled by small flexible firms.
- The small firm sector is perceived to make a significant contribution to employment generation. In the United Kingdom, for example, a priority of the last Conservative Government during their first term in office was to alleviate unemployment. The newly elected government was inspired by the encouraging findings of the Birch Report (1979), which highlighted the considerable contribution that small firms in the US made to employment between 1969 and 1976, and consequently, to the economy in general.

Indeed, commentators believe that the key reason for the government's concentrated effort to aid small businesses was due to its belief in their potential for massive job creation (Burns and Dewhurst, 1996; Frederick, 2000; Marlow, 2002). Consequently, it is still believed that small firms create a substantial proportion of new jobs in Britain (Buckland, 1998).

The view of government intervention in the small firm sector was further supported by Chaston and Mangles (2002) who have concluded that extensive research by academics in the field of small and medium-sized enterprises has resulted in more attention being paid to the importance of this sector by governments as well as more academics entering the SME research arena. Gibb and Davies (1990) have suggested four major factors (schools) influencing the performance of the small firm, these are:

- 1- Entrepreneurial personality school, which seeks to link the personal characteristics of the owner/manager to the performance of the firm. Kets de Vries (1977) and Gupta (1984) showed a correlation between the personality of the owner/manger and strategic decision making. However, Brockhaus (1982) stated that there is conflicting evidence about the capability to clearly link these models to the observed performance of the business.
- 2- Organisational development school, which examines the relationship between the goals of the entrepreneur and the objectives of the firm (Steinmetz, 1969). It is assumed that the relationship encourages the move from entrepreneurial to a professional management style.
- 3- Functional management school, emphasises the small firm's need to adopt a more formalised approach to activities such as marketing and the installation of effective control systems (Brock and Evans, 1989).
- 4- Sectoral economy studies, which aim is to categorise factors that might have influence within an industrial system as the basis for predicting potential for growth. Overall, such studies do not provide the basis for a generalised predictive model for the management of SME sector organisations (Doctor et al. 1989)

Taken together, these issues serve to explain why small firms are enjoying increasing academic interest.

### 2.3 Definitions of SMEs

There is no universally accepted definition of what constitutes a small firm. The definition introduced in the Bolton Report (1971) was one of the first to describe a small firm using specific criteria. Since then other definitions have been presented, many of which use the number of employees as the principal defining criterion (Barkham et al., 1996). However, such approaches have met with considerable criticism from various commentators (Curran and Blackburn, 1994; Stokes, 1995; Storey, 1994), who have questioned the validity, applicability and usefulness of such definitions for analysing and understanding the small firm sector. Curran and Blackburn (1992) have argued that 'smallness' is a multi-dimensional concept and Storey (1994) has stated that size is better conceptualised as a continuous, rather than a discrete variable. Bannock (1991) concurs by reasoning that:

*"no simple definition of what constitutes a small firm can be used for all purposes... It is not necessary to agree upon a precise threshold point at which a small business becomes a large one, to make helpful generalisations about small and large firms"*

Bannock (1991: 124)

In the United States of America (U.S.A.) the Small Business Administration (1978, p 1-3) referred, in The Small Business Act, to the small firm as "a small business concern shall be deemed to be one which is independently owned and operated and which is not dominant in its field of operation". In the U.S. SMEs comprise 97 percent of all enterprises and employ more than 58 percent of the labour force (Keats and Bracker 1988), and between 1976 and 1986 small firms created more than three million new jobs (Bracker and Pearson, 1986).

The Committee for Economic Development (1978) has offered a general definition that states:

"A small firm is one which possesses at least two of the following four characteristics:

1. Management of the firm is independent. Usually the managers are also the owners.

2. Capital is supplied and the ownership is held by an individual or a small group.
3. The area of operations is mainly local, with the workers and owners living in one home community. However, the market need not be local.
4. The relative size of the firm within its industry must be small when compared with the biggest units in the field. This measure can be in terms of sales volume, number of employees or other significant comparisons". (Committee for Economic Development, 1978)

A similar view was shared by Cressy and Cowling (1996, p 4491) who argued that:

*"The business has no power to control prices of the products it buys and sells and the credit it gives and receives...The business is managed by its owners who also control the business. A small business will most likely be a sole trader or a partnership but may also be a limited company. It will typically have fewer than twenty employees, but may have as few as one (the owner-manager) or as many as 500". (Cressy and Cowling, 1996)*

Cressy and Cowling (1996) reported that a number of characteristics are shared by small businesses. First, the owner(s) of the business would have invested most of their wealth in it. Second, the business may depend on some of the investors who can form part of an inadequate management team that may or may not lack financial, management and marketing skills. Third, the enterprise is subject to a number of internal and external limitations such as borrowing equity participation by outsiders. Such constraints are related to the psychology of the management team and the view of banks and investors to the small nature of the enterprise. Morris et al (1997) in a study sponsored by the Government of India and the Ministry of Industry defined a small firm as one which has investment of less than a crore of rupees by way of current market value plant and machinery or has employed fewer than 50 persons. In Japan the National Federation of Small Business Associations defined a small and medium enterprise in the service sector as one which employs not more than 100 employees or ¥50 million, and small scale enterprises as those who employ less than 5 employees.

In fact, in the UK in 1998 95 per cent of all businesses employed fewer than ten people (Day, 2000). In the European context an SME is defined in employment terms as a company with a workforce less than 250 employees. At a European policy level small firms are favoured because of their ability to create new jobs at a time when major corporations are downsizing. This is set against a background of improving industrial relations and working environments, diversification and flexibility of the industrial base, stimulation of competition, leading to an energetic enterprise culture and the ability to stimulate innovation (Wanhill, 2000).

In the European Union, micro, small and medium-sized enterprises (SMEs) are socially and economically important, as they represent 99% of all enterprises in the region, and provide around 65 million jobs and are an essential source for an entrepreneurial 'spirit' and innovation. The Commission of The European Communities (2003) adopted a new recommendation 2003/361/EC regarding its SME definition (replacing Recommendation 96/280/EC). The revision takes account of the economic developments since 1996 and the application of the definition. It increases legal certainty, while reducing possibilities of circumvention, particularly with regard to state aid, Structural Funds and the Research and Development Framework Programme. The term SME covers a wide range of business types, from the self-employed through to multinational public limited companies with up to 250 employees and which have an annual turnover not exceeding 50 million Euro, and/or an annual balance sheet not exceeding 43 million Euro. A small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet does not exceed EUR 10 million. A micro enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet does not exceed EUR 2 million.

### **2.3.1 Types of enterprise:**

Recommendation 2003/361/EC identifies three types of enterprises, which are:

1. "An "autonomous enterprise" is any enterprise which is not classified as a partner enterprise within the meaning of paragraph 2 or as a linked enterprise within the meaning of paragraph 3.
2. "partner enterprises" are all enterprises which are not classified as linked enterprises within the meaning of paragraph 3 and between which there is the

following relationship: an enterprise (upstream enterprise) holds, whether solely or jointly with one or more linked enterprises within the meaning of paragraph 3, 25% or more of the capital or voting rights of another enterprise (downstream enterprise).

3. "linked enterprises" are enterprises which have any of the following relationships with each other:
  - (a) an enterprise has a majority of the shareholders' or members' voting rights in another enterprise;
  - (b) an enterprise has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another enterprise;
  - (c) an enterprise has the right to exercise a dominant influence over another enterprise pursuant to a contract entered into with that enterprise or to a provision in its memorandum or articles of association;
  - (d) an enterprise, which is a shareholder in or a member of another enterprise, controls alone, pursuant, an agreement with other shareholders in or members of that enterprise, a majority of shareholders' or members' voting rights in that enterprise". (The Commission of The European Communities, 2003)

In Germany where SMEs account for 99.7 percent of total enterprises and employ around 69.7 percent of workers, Institut für Mittelstandsforschung Bonn (IfM) Bonn (2003, p1-3) defines the small enterprise "as one which has up to 9 employees with an annual turnover of up to EUR 1 million, and a medium-sized enterprise as one which has between 10 and 499 employees and a turnover between 1 and EUR 50 million." This definition is generally accepted across Germany.

In Turkey SMEs are playing an important role in the country's economy. They account for a vast majority of all enterprises, for a large part of employment and for a significant portion of output. SMEs involved in Turkish manufacturing industry, which employs 1-150 persons and represents 99.32 percent of all manufacturing industry, account for 56.29 percent of all manufacturing industry employees (Turkey Small and Medium-sized Industry Development Organisation (KOSGEB), 2004).

In the Czech Republic the Small Business Act No 47/2002 (2004) defines Small and Medium-Sized Enterprises as follows:

“(1) An enterprise shall be considered a small or medium-sized enterprise provided that:

- a) it has fewer than 250 employees,
- b) the assets reported in its balance sheet are not more than CZK 980,000,000, or the net turnover reported in the last closed accounting period is not more than CZK 1,450,000,000, if the enterprise keeps accounts in the form of double-entry book keeping; if the enterprise does not keep accounts in the form of double-entry book keeping, the aforementioned amounts shall apply to final income and total assets, and
- c) it is professionally independent.

(2) A small enterprise is one which:

- a) has fewer than 50 employees,
- b) has assets reported in its balance sheet of not more than CZK 180,000,000, or net turnover in the last closed accounting period of not more than CZK 250,000,000, if the enterprise keeps accounts in the form of double-entry book keeping; if the enterprise does not keep accounts in the form of double entry book keeping, the aforementioned amounts shall apply to final income and total assets, and
- c) is professionally independent.

(3) A very small enterprise is one which:

- “a) Has fewer than 10 employees, and
- b) Meets the conditions laid down under subparagraphs (2) (b) and (c).”

(Small Business Act, 2004)

In the People’s Republic of China, there is a distinction between SMEs and Township and Village Enterprises (TVEs). Deloitte Touché Tomatsu (1994) in a study of small tourism businesses in New Zealand reported that 'smaller businesses' employ less than 10 people. By combining the definitions identified earlier with others not mentioned, Table 2.1 comprises definitions of SMEs in different countries:

**Table 2.1: Comparison of definitions of SMEs in different countries**

Country / Region	Type of Business		
	Micro "very small" Enterprises	Small Enterprises	Medium Enterprises
EEC (ESRC)	Fewer than 10 employees. Turnover of less than €2 million	Between 10 and 49 employees. Turnover of less than €10 million	Fewer than 250 employees. Annual turnover less than €50 million.
United Kingdom Thomas et al, (1997)	Fewer than 10 employees	Between 10 and 49 people.	More than 50 people but fewer than 250.
USA "Small Business Association"	A small business concern shall be deemed to be one which is independently owned and operated and which is not dominant in its field of operation.		
Japan (NFSBA)	Not more than 5 employees (Service industry)	Not more than 100 employees or ¥50 million. (Service industry)	
India Morris et al, (2002)	A small firm is one which has investment of less than a crore (10 million) of rupees and employs fewer than 50 persons.		
Bulgaria (Agency for Small and Medium-sized Enterprises)	Enterprises which have an average number of up to 10 employees.	Enterprises which: 1. have up to 50 employees; 2. annual turnover not exceeding BGL 1 million; and 3. are not dependent.	Enterprises with: 1. up to 100 employees; 2. annual turnover not exceeding BGL 2.4 million; and 3. are not dependent.
HUNGARY	1-10 employees	11-50 employees; and annual turnover less than HUF 700 million; or annual balance-sheet less than HUF 500 million	Less than 250 employees; and annual turnover less than HUF 4 billion; or annual balance-sheet less than HUF 2.7 billion
CZECH REPUBLIC	There is no official definition. In accordance with the Czech National Council Act No. 299/1992 Coll. "State Support to Small and Medium-sized Enterprises", SMEs shall mean enterprises with no more than 500 employees.		
Nigeria Ariyo (2000)	An SME is an umbrella term for firms with less than 250 employees		

It is obvious from the various definitions introduced earlier that the number of employees is a central point on which most definitions rely. Although, some definitions include income or revenue of the firm as a further criteria in defining the small firm. Other definitions are broader in terms of their definition as in the case of Nigeria where all enterprises with less than 250 employees are considered to be an SME with no further analysis of each of the categories within the SME sector.



In Libya there is no such definition within any of its institutions, and therefore, the researcher recommends the definition provided by the European Community, which states that enterprises are divided into three categories:

- Micro enterprise - fewer than 10 employees. Turnover of less than €2 million
- Small enterprise - between 10 and 49 employees. Turnover of less than €10 million
- Medium enterprise - fewer than 50 and more than 250 employees. Annual turnover less than €50 million.

## **2.4 The importance of SMEs**

With regard to characteristics and advantages of entrepreneurial businesses Bennis (2001) lists a number of characteristics that distinguish small entrepreneurial businesses. These are listed below:

- “They tend to be lean, agile, dynamic and flexible (non-bureaucratic).
- They are close to their customers and sensitive to shifts in market demand.
- They are run by managers who often are owners and are therefore highly motivated by their equity positions.
- Nearly everyone in the company has direct, ongoing personal knowledge of most aspects of the business.
- Their employees are motivated by the scale of the organisation, by peer pressure and by knowledge of how their roles contribute to company performance.
- They have excellent upward, downward and lateral communications.
- They attract the most creative, energetic and risk-taking individuals.
- They have a focused orientation on single product runs and can customise products and keep a constant watch on quality.” (Bennis, 2001)

## **2.5 The economic contribution of small firms**

The contribution of small-to-medium-sized enterprises (SMEs) to most economies, especially in terms of employment, revenue generation, innovation and technological advancement, is clearly recognised (Kotey and Meredith, 1997; Westall and Cowling, 1999; Dana et al., 2000). Furthermore, many writers have expressed their

views that small firms are vital to the economy. The role of small firms in the economy is clearly enumerated in the Bolton Report, and is quoted here as being representative of various views from developed countries (Bolton, 1971).

“1- The small firm provides a productive outlet for the energies of that large group of enterprising and independent people who set great store by economic independence and many of whom are antipathetic or less suited to employment in a large organisation but who have much to contribute to the vitality of the economy.

2- In industries where the optimum size of the production unit or the sale outlet is small, often the most efficient form of business organisation is a small firm. For this reason many important trades and industries consist mainly of small firms.

3- Many small firms act as specialist suppliers to large companies of parts, sub-assemblies or components, produced at lower cost than the large companies could achieve.

4- Small firms add greatly to the variety of products and services offered to the consumer because they can flourish in a limited or specialised market which it would not be worthwhile or economic for a large firm to enter.

5- In an economy in which ever larger multi-product firms are emerging, small firms provide competition, both actual and potential, and provide some check on monopoly profits, and on the inefficiency which monopoly breeds. In this way they contribute to the efficient working of the economic system as a whole.

6- Small firms, in spite of relatively low expenditure on research and development by the sector as a whole, are an important source of innovation in products, techniques and services.

7- The small firm sector is the traditional breeding ground for new industries that is for innovation writ large.

8- Perhaps more important, small firms provide the means of entry into business for new entrepreneurial talent and the seedbed from which new large companies will grow to challenge and stimulate the established leaders of industry.” (Bolton, 1971)

## **2.6 Differences between small and large firms**

Penrose (1959) states that “The differences in administrative structure of the very small and the very large firms are so great that in many ways it is hard to see the two species are of the same genus.... We cannot define a caterpillar and then use the same definition for a butterfly.”

Small businesses are not big businesses, and concepts, theories, practices, forms of behaviour and interventions that apply to big businesses and their management will not necessarily apply on a small scale to them (Bridge et al, 2003). Bridge also adds that the understanding of small businesses requires the knowledge and appreciation of the differences between small and large businesses.

Ang (1991) has suggested a number of factors that distinguish small firms from their larger counterparts in the context of financial management practices. These include the fact that the securities of small firms are not publicly traded, owners’ investments are undiversified, limited liability is rarely present in a true economic sense, managers tend to have general rather than specific expertise, transaction costs of various sorts are high and, to the extent that management and ownership are separated, the relationship is nevertheless largely informal. The establishment of these types of differences between different categories of firms may be useful in developing more universally applicable definitions of small firms. However, the problem with most available definitions and lists of attributes, is that once a particular metric is proposed, examples of ‘large’ businesses can readily be provided that seem to satisfy the particular criteria. To use the example of the non-separation of ownership and control, it could be argued that a strict application of this criterion implies that a company, like Impulse Airlines, is a small business because it is managed by Gerry McGowan and family, or even Microsoft to the extent it is managed by Bill Gates. Furthermore, anecdotes of what clearly are small firms can be provided that does not fit all proposed strands of the definition. For example, Stanworth and Curran (1976) indicate that small firms regularly have quite

substantial proportions of their often specialised markets. Carter (1996) lists the management differences between small and large firms (see Table 2.2 below).

**Table 2.2: Management differences between small and large firms:**

<b>SMALL FIRMS</b>	<b>LARGE FIRMS</b>
Short-term planning horizons	Long-term planning horizons
React to the environment	Develop environmental strategy
Limited knowledge of environment	Environmental assessment
Personalised company objectives	Corporate strategy
Communication informal	Formal and structured communication
Informal control systems	Formalised control systems
Loose and informal task structure	Job descriptions
Wide range of management skills	High specialist/technical skills demanded
Income directly at risk in decision making	Income derived from wider performance base
Personal motivations directly affect company performance	Broader based company performance

Source: Carter (1996)

Further to the comparison table above, Ahmadi and Helms, (1997) list a number of differences between large and small firms to include large firms renowned for collective decision making, and that large companies involve bureaucratic command systems. On the other hand, small firms are known to be less structured with few formalities and ownership and management are integrated, but they are also identified as lacking the cash for their operational activities.

In their contribution towards contextual marketing: the vocabulary of marketing in SMEs, Enright (2003) has commented that one of the purposes of this research is to illustrate yet another difference between small and large organisations, and to show that smaller organisations are excluded from the teaching process which is more focused on the large marketing structures. They have noted how these differences exist between small and large firms through the following table which shows the differences. See table 2.3 below.

**Table 2.3: The Leviathan Approach to Assessing Differences between Small and Large Organisations**

<b>Term</b>	<b>Conventional description (large firms)</b>	<b>SME description</b>
Marketing	-the identification and satisfaction of customer needs	-making money by selling -an activity big corporations undertake
Market orientation	-Initiation response frameworks -intelligence gathering and dissemination	-a boundary-free range of opportunities not necessarily related to the current, core business
Customer	- an individual, normally under most scrutiny either in the development of target markets or at the end of the supply chain, often beyond the effective control of the organisation. Most commonly aggregated into target markets and then subjected to highly systematised market targeting	-can be a good, service or idea -smaller operators tend not to identify a difference between customer and product. For them, the two concepts merge. A customer is a 'product' that produces revenue just as the product for sale is some form of representation of the customer -generally, smaller organisations are at pains to differentiate between the concepts of 'customer' and 'product'. Rather, they perceive a difference between stock or capacity and the ability to match it to demand
Product	-a component of the marketing mix -can be a good or a service or an idea -the manifestation of the organisation's world view of the market	
Promotion / Marketing Communications	-a component of the marketing mix -a range of activities specifically designed to present the product to the most probable targeted audience in the most convincing way	-a sometimes necessary cost of production in order to achieve sufficient revenue levels -tends to be subsumed under the operator's networking activities, associations and perhaps local memberships

Source: Enright, M (2003)

The comparison between firms small and large leads to the identification of what characterises the small business. Bridge et al (2003) point to the fact that small businesses have many benefits such as meeting owners' needs and the ability to survive through market changes by adapting ways to respond to new customer needs. However, they also refer to some characteristics of small firms that differ from big businesses, these include: absence of functional managers on-the-job learning, investment and resources, discontinuities, informal systems and procedures.

Furthermore, many small businesses interact with a small number of customers (limited customer base), and rely on these customers for repeat purchases. Many small firms rely on less than 10 customers for the majority of their business income (Stokes, 1998). This of course could have an adverse effect on the firm as the loss of one customer means the loss of a large proportion of income and profit. Freeman (1998) suggests that this problem could be dealt with by active market development and employment of managerial specialists.

In relation to marketing many researchers have shown that small business owner/managers have a narrow view of marketing, and that they do not perceive the differences between marketing, promotion and sales (Gilmore and Carson, 1998; Stokes, 1998; Carson and Gilmore 1999; Haugh, 1999; Stokes, 1999). These studies report that small business owner/managers may under estimate values of marketing that are not considered by them as promotion or sales.

- It is often that small businesses are run by the owner-manager (one person) which has the benefit of that one person being able to wholly view management, including production, finance and marketing to avoid conflict between the different functions of the business. However, there is also the lack of knowledge of these functions which can have serious consequences.
- Business knowledge and know-how is usually a result of being in the job. This is gained through experience which does not necessarily mean a broad or objective one.
- Small businesses often rely for finances on their personal savings, which could result in reluctance on spending the money on anything other than bare essentials and for short-term obvious returns.
- Thresholds and discontinuities present in small firms may not occur in larger businesses.
- Small businesses usually start with one person who would regard formal systems and procedures as unnecessary.

## **2.7 Problems of Small Firms**

Small firms face many problems which may be classified into two major categories:

1- External factors - such problems are usually beyond the direct control of the management of the small firm. They stem from the business environment in which small firms operate. Research have not established an official list or uniformly recognised group of difficulties for small business. However, a number of recurring problems which are regarded as troublesome to small firms are listed as follows:

- A- State of the economy;
- B- Lack of reasonably costed finance;
- C- Sources of finance for small firms;
- D- Equity finance;
- E- Unrewarding tax system;
- F- Discouragement of legal framework.

2- Internal factors – these factors come under the control of management as they deal with the day to day operations of the small firm, and therefore management can influence such factors. The lack of management expertise is considered as one of the major reasons for the failure of the small firm. Dun and Bradstreet (1981) argue that it is a common thread that runs through the majority of small enterprises. Though in stating this, there are firms, which use their flexibility and informality to manage their businesses very efficiently but these are exceptions rather than the rule. Bolton (1971) identified a list of small business management problems:

- A- Raising and using finance;
- B- Costing and control information;
- C- Organisation and delegation;
- D- Marketing;
- E- Information;
- F- Personnel management;
- G- Technological change;
- H- Production scheduling and purchaser control.

Furthermore, Collins and Moore (1970) state that small businesses face many problems which vary according to their sector and locality as well as the international

environment they operate in, but most of these problems could be classified into two dimensions:

“1- Stage of operation

- Start up
- Survival and growth

2- Location of the source of the problem

- Internal (psychological, financial, knowledge and skills).
- External (market, competition, regulation, financial facilities, etc).”

The problem in the start-up stage of small business is focused on the entrepreneurial aspect of starting a new business and the necessary skills and knowledge to identify opportunities and turn one of the best opportunities into a viable project. Collins and Moore (1970) discuss extensively the various problems and factors which surround the creation of an independent business. They also contrast independent business creation, which is the function of the independent entrepreneur, with the creation of organisations as an extension of existing structures, which is the product of the administrative entrepreneur. According to Collins and Moore (1970), the creation of a business requires something more than technical knowledge. It requires an inner force that can be translated into mastery over the checks and setbacks, the apparently insurmountable obstacles, and the never ending stream of difficulties with which any person who performs a truly creative act must cope with.

The problem starts when someone decides to enter into a particular business without the necessary psychological and financial resources. There are crucial factors which one would have in order to start a business and survive. The failure rate among small firms is high, although the exact rate is not known. Some researchers suggest that 67 percent of new businesses fail within four years (Cooper, et, al., 1989). Others state that nearly one-half of start-ups fail within 18 months (Ireland and Van Auken, 1987).

Mayer and Goldstein (1961), in their study among small firms in retailing and services, point to several factors which they consider have fatal effects on business survival, namely undercapitalisation, managerial incompetence and personality defects. Dawson and Kirby (1979) explain that the reasons for the failure of small



businesses can be classified into evolutionary causes and radical or disruptive causes. Into the first category fall causes closely associated with evolutionary trends of society. The second category is that of revolutionary change, or as they call it the “big bang” of Schumpeter (1934). Periodically in any industry a new idea has a radical and even disruptive effect. Those factors can be classified as bearing more on the external aspect of a small business enterprise.

It is clear from the literature that differences exist between small and large firms in general and that each has its own advantages and disadvantages which can lead the business to either prosperity or decline. In the context of the Libyan environment which is explained in more detail in chapter four of this thesis, the role of the small firm sector is perceived to be far more important than many other economies for a number of reasons not least the shift in government policy from state owned large enterprises controlling one sector to more independence and less intervention for small firms. The government remit to diversify the economy and search for alternative economic activities has shed light on tourism as the real alternative, and hence the tourism small firm sector is regarded as important in the development of the country’s economy. The sector has proved its capacity to succeed, and part of its success is shown in its ability to thrive under many limitations. The change in the economy and the shift towards the private sector will lead to better opportunities for small businesses. Despite the promulgation of Investment Law No. 5, which aims to improve the business environment and encourage foreign investment, it is believed that if the overall reform programme continues, the small business sector will grow rapidly and play a crucial role in developing the economy.

Although, the small business sector has improved dramatically in the last decade, it is still not possible to say that Libya is using its potential efficiently in order to exploit the tourism sector.

## **2.8 Entrepreneurship**

### **2.8.1 Introduction**

Meyer (2002) presents some authors’ definitions of entrepreneurship and attempts to summarise these viewpoints into a more meaningful whole. He argued that researchers have been inconsistent in their definitions of entrepreneurship

(Brockhaus & Horwitz, 1986, Sexton 1987, Wortman, 1998; Gartner, 1996). The following definitions of entrepreneurship have been cited:

*Definitions have emphasised a broad range of activities including the creation of organisations (Gartner, 1988), the carrying out of new combinations (Schumpeter, 1934), the exploration of opportunities (Kirzner, 1973), the bearing of uncertainty (Knight 1921), the bringing together of factors of production (Say, 1803), and others (See Long, 1983). Richard Cantillon (circa 1730); "Entrepreneurship is defined as self-employment of any sort. Entrepreneurs buy at certain prices in the present and sell at uncertain prices in the future. The entrepreneur is a bearer of uncertainty."*

*Jean Baptiste Say (1816); The entrepreneur is the agent "who unites all means of production and who finds in the value of the products...the re-establishment of the entire capital he employs, and the value of the wages, the interest, and rent which he pays, as well as profits belonging to himself."*

*Frank Knight (1921); "Entrepreneurs attempt to predict and act upon change within markets." Knight emphasises the entrepreneur's role in bearing the uncertainty of market dynamics. Entrepreneurs are required to perform such fundamental managerial functions as direction and control.*

*Joseph Schumpeter (1934); "the entrepreneur is the innovator who implements change within markets through the carrying out of new combinations. The carrying out of new combinations can take several forms; 1) the introduction of a new good or quality thereof, 2) the introduction of a new method of production, 3) the opening of a new market, 4) the conquest of a new source of supply of new materials or parts, 5) the carrying out of the new organisation of any industry. Schumpeter equated entrepreneurship with the concept of innovation applied to a business context. As such, the entrepreneur moves the market away from equilibrium. Schumpeter's definition also emphasised the combination of resources. Yet, the managers of already established business are not entrepreneurs to Schumpeter."*

*Penrose (1963); "Entrepreneurial activity involves identifying opportunities within the economic system. Managerial capacities are different from entrepreneurial capacities."*

*Harvey Leibenstein (1968, 1979); "the entrepreneur fills market deficiencies through input-completing activities. Entrepreneurship involves "activities necessary to create or carry on an enterprise where not all markets are well established or clearly*

*defined and/or in which relevant parts of the production function are not completely known."*

*Israel Kirzner (1979); "the entrepreneur recognises and acts upon market opportunities. The entrepreneur is essentially an arbitrageur. In contrast to Schumpeter's viewpoint, the entrepreneur moves the market toward equilibrium."*

*Gartner (1988); "the creation of new organisations."*

*The Entrepreneurship Centre at Miami, University of Ohio, has an interesting definition of entrepreneurship: "Entrepreneurship is the process of identifying, developing, and bringing a vision to life. The vision may be an innovative idea, an opportunity, or simply a better way to do something. The end result of this process is the creation of a new venture, formed under conditions of risk and considerable uncertainty."*

Further to the definitions provided above, one of the recent definitions provided by (Parston, 1998) identified entrepreneurship as "the process of managerial behaviour which consistently exploits opportunities to deliver results beyond one's own capabilities". In today's World, entrepreneurship is perceived as the way of spotting and exploiting new ideas which are always there to be exploited and delivered. It is also about creativity and innovation, as these are considered the means by which entrepreneurs make a difference.

In summary, entrepreneurship is often viewed as a function which involves the exploitation of opportunities which exist within a market. Such exploitation is most commonly associated with the direction and/or combination of productive inputs. Entrepreneurs usually are considered to bear risk while pursuing opportunities, and often are associated with creative and innovative actions. In addition, entrepreneurs undertake a managerial role in their activities, but routine management of an ongoing operation is not considered to be entrepreneurship. In this sense entrepreneurial activity is fleeting. An individual may perform an entrepreneurial function in creating an organisation, but later is relegated to the role of managing it without performing an entrepreneurial role. In this sense, many small-business owners would not be considered to be entrepreneurs. Finally, individuals within organisations (i.e. non-founders) can be classified as entrepreneurs since they pursue the exploitation of

opportunities. Thus entrepreneurship is appropriately considered to be a form of entrepreneurship.

### **2.8.2 An entrepreneur**

Entrepreneurs are “people who, often habitually, create and innovate to build something of recognised value around perceived opportunities” (Bolton and Thompson, 2000). A similar definition was given by Bygrave (1998) “Entrepreneurs are people who show initiative, imagination, creativity and flexibility. They are willing to think conceptually and to see change as an opportunity.”

Examples of entrepreneurs include:

“A person who sells jewellery on the street,

A person who owns their own restaurant,

A person who makes customised clothing,

A person who makes money tutoring students in mathematics.” (Bygrave, 1998)

Regardless of what product or service they provide and how much money they earn, many entrepreneurs share similar characteristics.

Carson et al (1995) list some of the key characteristics (personality traits) of successful entrepreneurs taken from growing literature in this area, these include:

- “Calculated risk-taking and risk sharing propensity
- Need for achievement
- Locus of control
- Personal values, integrity
- Need for power
- Need for affiliation
- Commitment, determination and perseverance
- Assuming personal responsibility
- A grip on reality
- Sense of humour
- Tolerance of ambiguity, stress and uncertainty
- Decisive, urgent
- Tolerance to failure.” (Carson et al, 1995)

“Entrepreneurs have:

*Drive, Perseverance, Confidence, and Vision.*

Entrepreneurs are:

*Competitive, Creative and Honest.*

Entrepreneurs will:

*Learn and Adapt.”* (Carson et al, 1995)

### **2.8.3 Origins of the Word “Entrepreneur”**

In common parlance, being an entrepreneur is associated with starting a business, but this is a very loose application of a term that has a rich history and a much more significant meaning. The term “entrepreneur” originated in French economics as early as the 17th and 18th century.

In French, it means someone who “undertakes,” not an “undertaker” in the sense of a funeral director, but someone who undertakes a significant project or activity. More specifically, it came to be used to identify the venturesome individuals who stimulated economic progress by finding new and better ways of doing things. The French economist most commonly credited with giving the term this particular meaning is Jean Baptiste Say. Writing around the turn of the 19<sup>th</sup> century, Say (1827) states, “The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” Entrepreneurs create value.

In the 20<sup>th</sup> century, the economist most closely associated with the term was Joseph Schumpeter (1934). He described entrepreneurs as the innovators who drive the “creative-destructive” process of capitalism. In his words, “the function of entrepreneurs is to reform or revolutionise the pattern of production.” They can do this in many ways: “by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganising an industry and so on.” Schumpeter (1934) states that entrepreneurs are the change agents in the economy. By serving new markets or creating new ways of doing things, they move the economy forward.

It is true that many of the entrepreneurs that Say (1827) and Schumpeter (1934) have in mind serve their function by starting new, profit-seeking business ventures, but starting a business is not the essence of entrepreneurship. Though other economists may have used the term with various nuances, the Say-Schumpeter tradition that identifies entrepreneurs as the catalysts and innovators behind economic progress has served as the foundation for the contemporary use of this concept.

In simple terms, an entrepreneur is someone with a vision who spots a new opportunity and is minded to act on it and start something.

#### **2.8.4 Characteristics of Entrepreneurs**

It is clear that the entrepreneur has so many characteristics that distinguish his/her personality and these can be summarised as follows:

- Entrepreneurs are people who have the drive to create change:

Kao (1989) comments that enterprising people (entrepreneurs) translate “what is possible” into reality. They are known to have the will to transform a simple, ill-defined idea into something which works (Kets de Vries, 1997). They have their own ways of dealing with opportunities, setbacks and uncertainties to “creatively create” new products, new services, new organisations and new ways of satisfying customers or doing business.

- Entrepreneurs search for resources needed to take advantage of opportunities:

Entrepreneurship is the thorough application of discipline to exploit resources which are already to hand or which can somehow be found. The entrepreneur is always keen to find the resources necessary through all means available. As Stevenson (1997) stated that the non-existence or ready availability of the necessary resources will not deter the committed entrepreneur who will exploit contacts and sources, “begging, stealing and borrowing” when necessary.

- Entrepreneurs are good net-workers

Limited resources, especially finance are seen as real obstacles; so entrepreneurs use social networking to assist in obtaining favours, deals and action (McGrath, 1997).

- Entrepreneurs have “know-how” and “know-who” (Gibb, 1998)

They also “know where” they can obtain the resources they require.

- Entrepreneurs manage risk

Entrepreneurs take risks which they regard as manageable, and they see themselves as being able to strive through the risk and benefit from the usually high gain associated with high risk. The success lies in awareness, learning, flexibility and change during implementation (Bhide, 1994).

- Entrepreneurs are determined in the face of difficulty

Entrepreneurs are motivated to succeed; they are determined to fight and let go easily which is regarded as the reason for their success.

The following table shows the literature related to characteristics of entrepreneurs.

Carland, et al., (1984) review the literature on entrepreneurs from 1848 until 1982 and list them as follows (Table 2.4):

**Table 2.4: Characteristics of Entrepreneurs**

DATE	AUTHOR(S)	CHARACTERISTIC(S)	NORMATIVE	EMPIRICAL
1848	Mill	Riskbearing	*	
1917	Weber	Source of formal authority	*	
1934	Schumpeter	Innovation, initiative	*	
1954	Sutton	Desire for responsibility	*	
1959	Hartman	Source of formal authority	*	
1961	McClelland	Risk taking, need for achievement		*
1963	Davids	Ambition; desire for independence; responsibility; self confidence		*
1964	Pickle	Drive/mental; human relations; communication ability, technical knowledge		*
1971	Palmer	Risk measurement		*
1971	Hornaday	Need for achievement; autonomy; aggression; power; recognition, innovative/		*
	& Aboud	independent		
1973	Winter	Need for power	*	
1974	Borland	Internal locus of control		*
1974	Liles	Need for achievements		*
1977	Gasse	Personal value orientation		*
1978	Timmons	Drive/self confidence; goal oriented moderated risk taker; internal locus of control;		
		creativity/innovation	*	*
1980	Sexton	Energetic/ambitious; positive reaction to setbacks		*
1981	Welsh	Need to control; responsibility seeker; self-confidence/drive; challenge taker;		
	& White	moderate risk taker		*
1982	Dunkelberg	Growth oriented; independence oriented; craftsman oriented		*

Source: Carland et al (1984)

## 2.9 Small and Medium-sized Tourist Enterprises (SMTEs)

Although small and medium-sized tourist enterprises (SMTEs) are specific to the tourism industry their definitional characteristics are similar to those of small and medium-sized enterprises (SMEs). Since there is no single uniformly acceptable definition of an SME there is also no agreed definition of an SMTE. Thomas (2000) states that “This is illustrated by reference to the sixteen studies undertaken during the late 1980s and early 1990s, which together formed the UK’s largest ever small business research project (funded by the Economic and Social Research Council). The definitions used for those projects included: fewer than 10 employees (micro), fewer than 100 employees (small) and fewer than 200 employees (medium)”. Thomas et al (1998) defined small and medium-sized firms according to number of



employees as follows: “‘micro’ or ‘very small enterprises’ employ fewer than 10 people, ‘small enterprises’ between 10 and 49 people, and ‘medium-sized enterprises’ employ more than 50 people but fewer than 250” (Thomas, 1996, 1998). Morrison and Thomas (1996, p 400) stated that the term ‘small business’ is difficult to define and derived the following:

*“A small tourism business is financed by one individual or small group and is directly managed by its owner(s); in a personalised manner and not through the medium of a formalised management structure...it is perceived as small, in terms of physical facilities, production/service capacity, market share and number of employees.”* (Morrison and Thomas, 1996)

The reasons for the strategic importance of SMTEs to economies like Libya are that they can:

- Contribute to employment growth at a higher rate than larger firms and they may well, in the long-term, provide a very significant share of overall employment;
- Help in the restructuring and streamlining of large state-owned enterprises by enabling them to abandon and/or sell off non-core production activities and by absorbing redundant employees;
- Provide economies greater flexibility in the provision of services and the manufacture of a variety of consumer goods;
- Act as the seedbed for the development of entrepreneurial skills and innovation; they play an important role in the provision of services in the community; and they can make an important contribution to regional development programmes.

One of the reasons for researching small businesses in the tourism industry is that they have been neglected in the past, and if more attention were given to the sector this would embrace the industry as well as the economy at national and international level.

## **2.10 Conclusion**

Irrespective of the relative size defined by different countries, SMEs are considered to be one of the principal driving forces in economic development. They stimulate

private ownership and entrepreneurial skills, they are flexible and can adapt quickly to changing market demand and supply situations. In fact, they generate employment, help diversify economic activity and make a significant contribution to exports and trade.

In developing countries such as Libya, the SME sector is becoming a more recognisable force within the economy especially with the intention of many governments to diversify the economy and not to depend on just one source for the development of their country. Experiences from Europe and the United States, as mentioned earlier in this chapter, show that SMEs have proved to be a significant sector for the economy, which should be an indication for developing countries to pay more attention to this vital sector.

This chapter has also highlighted the importance of entrepreneurship and the role it may lead in developing the small firm sector. It explored the origins of entrepreneurship and the traits that distinguish entrepreneurs' personality as cited by many authors who have participated in this field over the last decade or so. It further identifies the small and medium-sized tourist enterprises and its strategic importance to economies such as Libya.

The next chapter will look at marketing and the marketing interface and provide a discussion on the relevance and importance on the marketing interface for the development of the small business.

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## **CHAPTER 3: MARKETING AND THE MARKETING INTERFACE**

## Chapter 3: Marketing and The Marketing Interface

### 3.1 The evolution of marketing

Marketing cannot be thought of as a new phenomenon, as it is as old as civilisation itself. In the early and middle ages traders were unintentionally practising marketing in their daily exchanges. The evolution of the industrial era led to mass production and to demand being outstripped by supply. The recent advances in technology and communication have encouraged the development of even more sophisticated marketing techniques. This has opened the way for new marketing opportunities. There has been a slow down in population growth among developed countries, and people have become better educated and therefore more aware of their purchases.

Research into marketing has been on going for more than half a century, yet there is no single unified definition of marketing. Researchers have developed their own definitions of marketing which are listed by Westburn Publishers Ltd (2002) as follows: *“Marketing is the process of determining consumer demand for a product or service, motivating its sale and distributing it into ultimate consumption at a profit” (Brech, 1953). Marketing is selling goods that don’t come back to people who do. Marketing is not only much broader than selling; it is not a specialised activity at all. It encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise (Drucker, 1954). Marketing is the distinguishing unique function of the business (Drucker, 1954). Marketing – The performance of business activities that direct the flow of goods and services from producer to consumer or user. Marketing is the creation of time, place and possession utilities. Marketing moves goods from place to place, stores them, and effects changes in ownership by buying and selling them. Marketing consists of the activities of buying, selling, transporting and storing goods. Marketing includes those business activities involved in the flow of goods and services between producers and consumers (Convererse, Huegy and Mitchell, 1965). Marketing is the set of human activities directed at facilitating and consummating exchanges (Kotler 1972). Marketing is the process whereby society, to supply its consumption needs, evolves distributive systems composed of participants, who, interacting under constraints – technical (economic) and ethical (social) – create the*

*transactions of flow which resolve market separations and result in exchange and consumption (R. Bartles, 1968). The function of marketing is the establishment of contact (Cherington, 1920).*

*Crosier (1975) reviewed over fifty definitions of marketing and then classified those definitions into three different categories: (a) Definitions which conceive of marketing as a process ‘enacted via the marketing channel connecting the producing company with its market’, e.g. ‘The primary management function which organises and directs the aggregate of business activities involved in converting customer purchasing power into effective demand for a specific product or service and in moving the product or service to the final customer or use, so as to achieve company-set profit or other objectives’ (L.W. Rodger, 1971). (b) Definitions which see marketing as a concept or philosophy of business – ‘the idea that marketing is a social exchange process involving willing consumers and producers’, e.g. ‘Selling is preoccupied with the seller’s need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering and finally consuming it’ (Levitt, 1960). (c) Definitions which emphasise marketing as an orientation – ‘present to some degree in both consumers and producers: the phenomenon which makes the concept and the process possible’. Only one example is cited by Cosier (from the philosopher Erich Fromm) and is felt to be an unconvincing argument in favour of a third category beyond the view of marketing as a function or as a concept.” (Westburn Publishers, 2002)*

The Chartered Institute of Marketing (2003) defines marketing as:

*“The Management Process responsible for identifying, anticipating and satisfying customer’s needs profitably.”*

The American Marketing Association (AMA) (1985) has defined marketing as:

*“‘the process of planning and executing the conception, pricing, promotion, distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives.”*

Marketing management is ‘the process of scanning the environment, analysing the market opportunities, designing marketing strategies, and effectively implementing and controlling marketing practices’ (Cravens et al, 1987). Also, ‘marketing is specifically concerned with how transactions are created, stimulated, facilitated and valued’ (Kotler, 1972). Indeed, the main purpose of marketing is to create and

distribute values among the market parties through the process of transactions and market relationships' (Sheth et al, 1988).

### **3.2 Marketing as a process**

Identifying the needs of the customer is the first step in the process of marketing. Customers differ in their needs and wants, which means that marketing has to be able to identify different groups of people to target for their product or service. The organisation has to decide on what product or service to offer the customers. This involves the 4Ps of the marketing mix described by McCarthy (1960) as:

*“Product: what to offer*

*Price: how much to charge for it*

*Promotion: how to tell people about it.”*

*Place: how and where people can buy it. (McCarthy, 1960)*

The organisation's decision will be built on the 4Ps and the customer's needs and values in mind. In this sense marketing is regarded as a series of jobs, a process carried out by various members of the marketing unit (Morgan, 1996).

### **3.3 Marketing as a philosophy**

For marketing to be successful it requires the support of all other departments within the organisation. As Drucker says, 'marketing is too important to be left to the marketing department. It is a philosophy, an approach to business that puts the customer first. It is the whole business seen from the viewpoint of the end-user, the customer.' (Drucker, 1986)

### **3.4 Marketing Orientation**

Since the comments of Levitt (1960) much focus has been directed towards marketing management and entrepreneurship literature regarding marketing and its orientation. The main issues related to marketing orientation literature in entrepreneurship are presented in Table 3.1 below (Geursen and Conduit, 2002).

**Table 3.1: Overview of Market Orientation (MO) Literature in Entrepreneurship**

Study by	Year	Method/ basis	Discipline	Core issue discussed and theory contribution
Muzyka and Hills	1993	Discuss/ Conc.	Marketing/ Entrep.	Identifies that existing marketing models do not fit well into entrepreneurial behaviour patterns and new models of market/firm interface are required for the entrepreneurial firm/entrepreneur.
Schartz and Teach	1996	Empirical	Marketing/ Entrep.	States that marketing strategies are not industry interchangeable.
Kleindi, Movan and Chakraorty	1996	Empirical	Entrep.	Develops a 31 point scale for the measurement of an innovative MO
Kleindi. Hisrich, Fulop Fried	1997	Empirical	Marketing/ Entrep.	States that entrepreneurial business is highly customer focused and able to respond faster to market needs
Hills and La Forge	1992	Discuss/ Conc.	Marketing/ Entrep.	Identifies substantial differences in MO practiced in small and entrepreneurial firms compared to other firms.
Pelham and Wilson	1997	Empirical	Marketing	Establishes an initial link between MO and small firm performance.
Geurson	1998	Empirical/ Conc.	Cross Discipline	Models how MO in small and entrepreneurial firms functions.
Geurson	1998	Empirical/ Conc.	Cross Discipline	Identifies entrepreneur personal emphasis on direct customer involvement.

Source: Geursen and Conduit (2002)

The “marketing concept” is the fundamental cornerstone of the marketing discipline (Kohli and Jaworski 1990; Kotler 1997). Being market oriented requires a culture orientation that relates to basic beliefs about the importance of the customer (Levitt 1960; Webster 1992). Firms who possess the ability to clarify management thinking and are able to inform and guide subordinates and employees are normally regarded as having a good value of market planning. This is so because it leads to stating objectives, establishing priorities, motivating and directing the staff (Blenker 2002). The marketing function allocates the firm’s internal financial, human and productive resources to different markets, customers and products and seeks to co-ordinate its own functional activities with regard to an inter-functional orientation (Carson 1990; Webster 1992).

### **3.5 Small Firm Marketing**

#### **3.5.1 Introduction**

According to traditional marketing management approaches small firm marketing should involve the study of the firm's position in the market place and know its strengths and weaknesses as well as opportunities and threats. This will allow the firm to understand the causes and effects of the marketing variables and to formulate a marketing plan (Blenker, 2002).

It is thought that one of the main reasons for this incompatibility between traditional marketing theories and small businesses is that traditional marketing models have been derived from research conducted in large organisations (Wyer and Carberry, 1998). However, small firms are thought to exhibit many characteristics that distinguish them from large firms, and researchers are alerted to the dangers of generalising results from large organisation settings to small firms (Dandridge, 1979; Pearce et al., 1982; Gibb and Scott, 1985; Jennings and Beaver, 1997). George (1968) cited in Carson (1990) suggests that to be of any value, a model 'must bear some measure of similarity to the structure or process being modeled.' Therefore, marketing models that are applied to small firms ought to be derived from research based upon these firms.

#### **3.5.2 Research into Small Firm Marketing**

It has been observed that the marketing activities carried out by small firms often sharply contrast to those associated with traditional text book marketing (Carson and Cromie, 1990; Hogarth-Scott et al., 1996; Hill and Wright, 2001). As such, most marketing literature and marketing programmes fail to address the needs of small business owners (Carson, 1985; Brannen 1987; Davies and Klassen, 2001), an observation that has led small business researchers to comment that the marketing discipline has paid inadequate attention to smaller firms (Davis et al., 1985; Hills, 1987).

Leppard and McDonald (1987) cited the problem of small firm marketing being distant from textbooks which are prepared for the larger firm. They mentioned that: marketing approaches "concentrate almost exclusively on the 'medicine' itself and



showed little concern for the 'patient'. That this should happen makes about as much sense as a doctor dispensing the same drug to every patient he sees, irrespective of his or her condition" (Carson, 1990).

Indeed, it has become increasingly accepted that small firms are not simply scaled down versions of large firms (Dandridge, 1979; Welsh and White, 1981; Hills, 1987; Storey, 1989; Carson, 1990; Culkin and Smith, 2000). Furthermore, it is thought that the differentiating features of small firms account for a number of marketing problems (Fitchew et al., 1997; Stokes, 1998). Mendham and Bannock (1982) believe the real differences between small and large firms lie in their respective objectives and management style. Carson (1990) and Blenker (2002) point out that small firm marketing may be informal but it is rather flexible, they are managed in a personal way, and problems or issues are dealt with as they occur. In this sense small firm managers are carrying out marketing tasks based on the omnipresence of the entrepreneur, and the development of relationships is of high priority in his/her "distinctive marketing style". From a traditional marketing management approach this "distinctive marketing style" of informal flexibility looks like "short-termism". The entrepreneur is a "poor planner" – and marketing strategy becomes incremental and discontinuous. The small firm's haphazard, irrational and unplanned practice of marketing make them appear as inadequate compared to the large firm (Carson 1990; Hisrich 1992; McGowan and Rocks 1994; Blenker 2002).

Carson (1985) has pointed to a number of characteristics of small firm marketing such as limited resources, lack of specialist expertise and limited impact. These constraints are described as:

*"Limited resources*, such as limitations on finance, marketing knowledge, time, may all contribute to limited marketing activity relative to large companies and large competitors.

*Specialist expertise* may be a constraint because managers in small businesses tend to be generalists rather than specialists. Traditionally, the owner/manager is a technical or craft expert; he is unlikely to be an expert trained in any of the major business disciplines. In addition, marketing expertise is often the last of the business disciplines to be acquired by an

expanding small company. That is, finance and production (if the company is a manufacturing unit) experts usually precede the acquisition of a marketing counterpart.

*Limited impact* on the market place may be a constraint because small businesses have fewer orders, fewer customers and fewer employees than large companies. Consequently, the impact of a small firm's presence in an industry, geographic area, or whatever, is likely to be limited due to its size alone. Similarly, because of limited resources and lack of marketing expertise, the impact on the media through advertising and publicity will often be negligible in relation to large company activities" (Carson, 1985, p9).

A previous study by Birley (1982) concerning constraints on small firm marketing suggested that such constraints include: (i) goals not based on a real analysis of opportunities available, but determined by action taken by the owner/manager, and (ii) a lack of resources and/or knowledge which preclude decision making based on analysing markets, selecting a long term strategy and finally managing a detailed business plan.

Carson and McCartan-Quinn (1995) suggest that at the very best small firms will practice "inadequately formalised (non-conventional) marketing" and it is highly likely that they will not practice a form of marketing at all. Schollhammer and Kuriloff (1979), Carrier (1994) and Carson et al (1995) highlight a number of characteristics common to small businesses that determine the approach that the small business can take towards marketing. These characteristics are as follows:

- "Owner/manager or small number of key personnel
- Specialisms outside marketing (lack of marketing expertise)
- Attitudes to marketing (mistrust, costly)
- Approaches to marketing
- Network approach
- Experience approach – rely on understanding of business
- Limited resources
- Characterised by independence
- Distinctive managerial style

- Less rigid, sophisticated and complex than larger organisations.”

(Schollhammer and Kuriloff, 1979; Carrier, 1994; and Carson et al, 1995)

Carson and McCartan-Quinn (1995) suggest that the marketing activities of owner/managers are driven not by textbook theory, but by intuition, and small firms do not adopt the formal approach.

### **3.5.3 Research into Small Firm Market Planning**

Market planning in small firms is often ad hoc planning due to a number of reasons such as limited resources (limited capability of obtaining market information, informal and unplanned decision making, and lack of traditional marketing structure in terms of a marketing department with specialist expertise (Carson 1990; Coviello et al., 2000).

Research has shown that small firm owner-managers rarely make, or adhere to, formal plans (Wilkie and Young, 1971; McDonald, 1987; Osborne, 1987; Whisler, 1988; Carson, 1990; Dodge and Robbins, 1992; Fuller, 1994; Fitchew et al., 1997). While planning at a general level appears to happen rarely, small firm marketing is also often described as being reactive rather than proactive, with little or no planning involved (Stoner, 1983; Amer and Bain, 1990; Carson and Cromie, 1989; Fuller, 1994; Fitchew et al, 1997; Coviello et al., 2000). Brooksbank et al. (1992) found that longer term marketing plans, where they exist, are typically informal and spontaneous, being expressed in the form of words and ideas. Cohen (1991) believes that marketing plans are often indistinguishable from the business or strategic plan. Hankinson (1991), in a longitudinal study of SMEs, found that 38% of the firms studied had no real marketing policies and marketing policies, where they existed, were more reactive than proactive. Furthermore, Stokes (2000) found evidence of a ‘bottom-up’ approach to marketing, whereby small firms begin by serving the needs of a few customers and then expand their base gradually, as experience and resources allow.

This lack of planning can be attributed to the widely held belief that most of the day-to-day activities of small firm owner-managers comprise ‘fire fighting’ (Boswell, 1972; Davies and Kelly, 1972; Hornaday and Wheatley, 1986; Scase and Goffee, 1980; Sashittal and Wilemon, 1996). In line with this, Carson (1993) has explained

that, while conventional marketing literature presents marketing decisions as inherently formal, disciplined and structured, entrepreneurial decisions are by contrast, informal, haphazard and reactive. He argues further, that an entrepreneur's time span is short-term, whereas marketing time spans are short-term, medium-term and long-term. Based on this, the first key characteristic of small firm market planning is that it is reactive and informal.

It has been suggested that many owners of smaller enterprises tend to be suspicious of, and resistant to, organised planning because they fear loss of control and/or loss of flexibility (Osborne, 1987). Indeed, numerous studies have shown the importance that owner-managers place on independence and autonomy (Stanworth and Curran, 1973; Scase and Goffee, 1982; Curran, 1986; Bevan et al., 1989). Furthermore, research has shown that a small business often exists to enable its owner to enjoy a sense of independence, achievement and pride (Bolton, 1971; Boyer and Roth, 1978; Peterson, 1989; Goss, 1991; Oakey, 1993; Hankinson et al., 1997; Jennings and Beaver, 1997). A further reason for a reluctance to engage in formal market planning pertains to the nature of the small firm's organisational objectives. Formalised planning tends to be associated with establishments that wish to grow and have explicit monetary objectives. However, it is well documented that small firm owners have objectives which differ widely from the traditional economic objective of profit maximisation (Kao, 1985). Furthermore, considerable research has shown that small firm owners do not view organisational growth as one of their principal objectives (Stanworth and Curran, 1973; Barber et al., 1989; Ward, 1993; Wilson et al., 1994; Stokes, 1995; Hankinson et al., 1997).

### **3.5.4 Research at the Marketing/Entrepreneurship Interface**

For the purpose of this research the marketing/entrepreneurship interface is referred to as the marketing interface, where researchers have identified many areas of interface between the two disciplines (Collinson and Shaw, 2001; Carson et al., 1995) and this is elaborated further in this section.

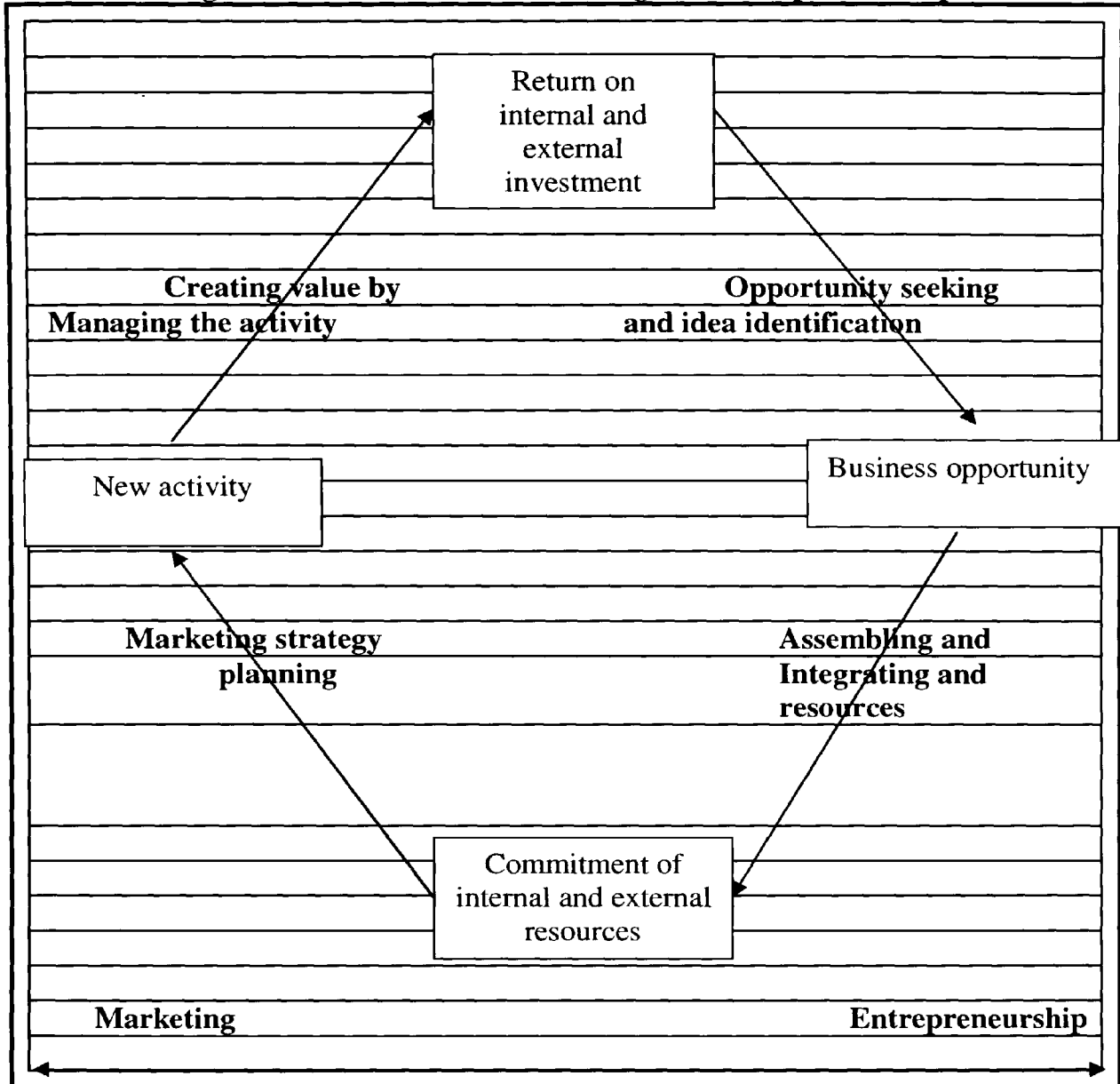
Research at the marketing interface was initiated in the US by Gerald Hills from the University of Illinois when he arranged the first meeting on the interface in 1982. At the meeting the area of convergence between the two disciplines was recognised, resulting in the first American Marketing Association's Research Symposium on Marketing and Entrepreneurship in 1982. (Collinson, 2002).

A body of research which has sought to investigate the nature of small firm marketing, while taking account of the distinguishing characteristics of entrepreneurs and small firms, is known as “Research at the Marketing Interface”. It is noted that there is difficulty in separating entrepreneurship research and small business research and that as a consequence, there is a great deal of overlap between them. Given this, much of the research carried out at the interface between marketing and entrepreneurship, is of relevance and has informed this study. Interest in the Marketing-Entrepreneurship Interface arose from the recognition that there are several commonalities between the disciplines of marketing and entrepreneurship (Davies et al., 1985; 1991; Morris and Paul, 1987; Hisrich, 1989; Hills and LaForge, 1991; 1992; Miles and Arnold, 1991; Collinson and Shaw, 2001). Hills and LaForge (1992) outline five areas of overlap.

- “1- The underlying philosophy and orientation of entrepreneurship and marketing are attuned to customer needs.
- 2- Evaluation of new venture and new product ideas are not only part of marketing’s remit, but also that of entrepreneurship.
- 3- ‘Marketing behaviour’ and ‘entrepreneurial behaviour’ are similar in nature in that they both are boundary spanning, involve extensive interplay with the environment, require assumptions of risk and uncertainty, and both have to deal with complexities of human behaviour with commercial and other endeavors.
- 4- While entrepreneurship encompasses innovation, the marketing discipline addresses diffusion, adoption and buyer behaviour
- 5- Marketing is a business function and as such is important to new business creation and growth.” (Hills and LaForge, 1992).

Blenker (2002) points out that both marketing and entrepreneurship processes involve the identification of an opportunity, the use of resources, some kind of strategy and the development and management of the activity. This process is illustrated in Figure 3.1. and further illustrated in Table 3.2 below.

**Figure 3.1: The Tasks of Marketing and Entrepreneurship**



Source: Blenker (2002)

**Table 3.2: The Marketing and Entrepreneurship Conception of Resources**

	<b><i>MARKETING</i></b>	<b><i>ENTREPRENEURSHIP</i></b>
<b>The allocation of scarce resources</b>	Resources are allocated across products and customers, by formally distributing them to various <i>functions inside the firm</i> , using internal formal management	Resources are allocated to market activities, by the use of <i>informal co-coordination with other actors</i> , with no clear boundary between the firm and its environment
<b>The increase of scarce resources</b>	Opportunities are exploited in the market outside the firm, in order to <i>harvest resources</i> that can be used to build up other resources inside the firm	Opportunities are realised both by new combinations of existing resources, and by gaining <i>access to resources outside</i> the firm

Source: Blenker (2002)

It has been suggested that entrepreneurial and marketing orientations not only have much in common, but are part of the same business philosophy (Miles and Arnold, 1991). Similarly, marketing has been viewed as the natural 'home' for the entrepreneurial process (Murray, 1981).

Much research concerning the marketing interface argues that the interface has a positive effect on small firm performance. However, the majority of researchers have looked at the interface within the context of Western economies, in particular, the USA (Morris and Paul, 1987; Miles and Arnold, 1991; Teach and Miles, 1997; Matsuno, et al., 2002) and Europe (Foxall and Minkes, 1996; Nystrom, 1998; Chaston, 2000; Tzokas and Kyriazopoulos, 2001; McGowan and Durkin, 2002; Fillis, 2002; Stokes, 2002). Other research has addressed related variables and within various other contexts other than Libya. Deng and Dart (1994) have studied the adoption of market orientation in the context of Canada using a synthesis of constructs by Kohli and Jaworski (1990) and Narver and Slater (1990), as well as some of their own suggested variables. Fillis (2002) has researched into creativity as a key competency at the marketing interface, linked with related issues such as innovation, vision, leadership and motivation. Nystrom (1998) suggested a creative management approach tying together economic, organisational and psychological elements in order to understand the dynamic marketing interface. Other studies relate to the interaction between entrepreneurial style and organisational performance in small firms (Chaston, 1997) and gaining first mover advantage and adding value

through challenging existing marketing paradigms (Chaston, 2000).

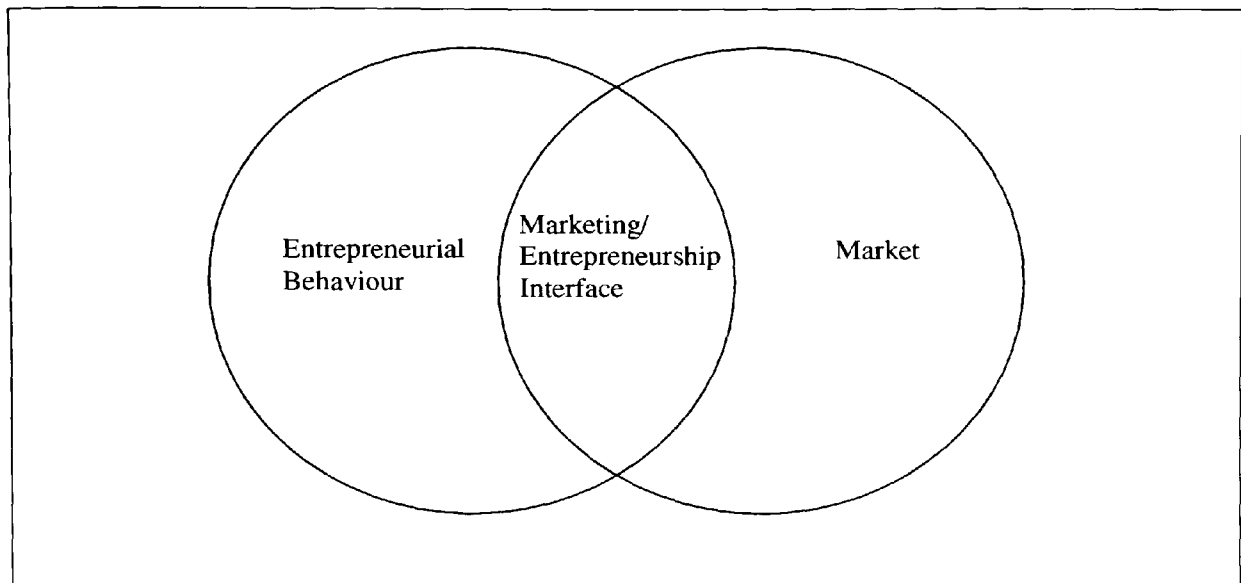
Other studies relate to the role of entrepreneurship in building cultural competitiveness in different organisational types (Hult, et al., 2003), the management perspective on American and Chinese entrepreneurial and managerial orientations (Parnell, et al., 2003), the role of opportunities in the entrepreneurial process (Eckhardt and Shane, 2003), emerging issues in corporate entrepreneurship (Dess, et al., 2003), review and synthesis on venture creation and the enterprising individual (Shook, et al., 2003). It is clear that although there have been studies on the marketing interface; they have been in relation to a variety of other variables or combinations of variables. None of these studies relate to the link between the marketing interface and the development of the small firm and the factors that might affect such a progress. In addition, these studies have not focused on Libya.

### **3.5.5 Definitional approaches to the marketing interface**

According to Hisrich (1989) and Wortman, et al. (1989) the importance of marketing aimed at the marketing interface was first empirically validated in a study of expert opinions. In depth interviews with fourteen venture capitalists (who had financed and guided more than 200 new ventures) concluded that: (1) marketing management was rated 6.7 on a scale of 7.0 higher than any other business function in importance to the success of new ventures; (2) venture failure rates could be reduced as much as 60% through better pre-venture market analysis; (3) there are major marketing challenges that are unique to new ventures (Hills, 1984). Hoy (1987) refers to the marketing discipline as being second only to the management discipline in devoting attention to entrepreneurship.

Gardner (1994) suggests that “entrepreneurial behaviour is a potential candidate to significantly influence marketing thought and practice because it deals directly with a key concept in marketing: bringing innovation successfully to market.” According to Gardner the marketing interface can be illustrated as shown in Figure 3.2 below:



**Figure 3.2 The Marketing/Entrepreneurship Interface**

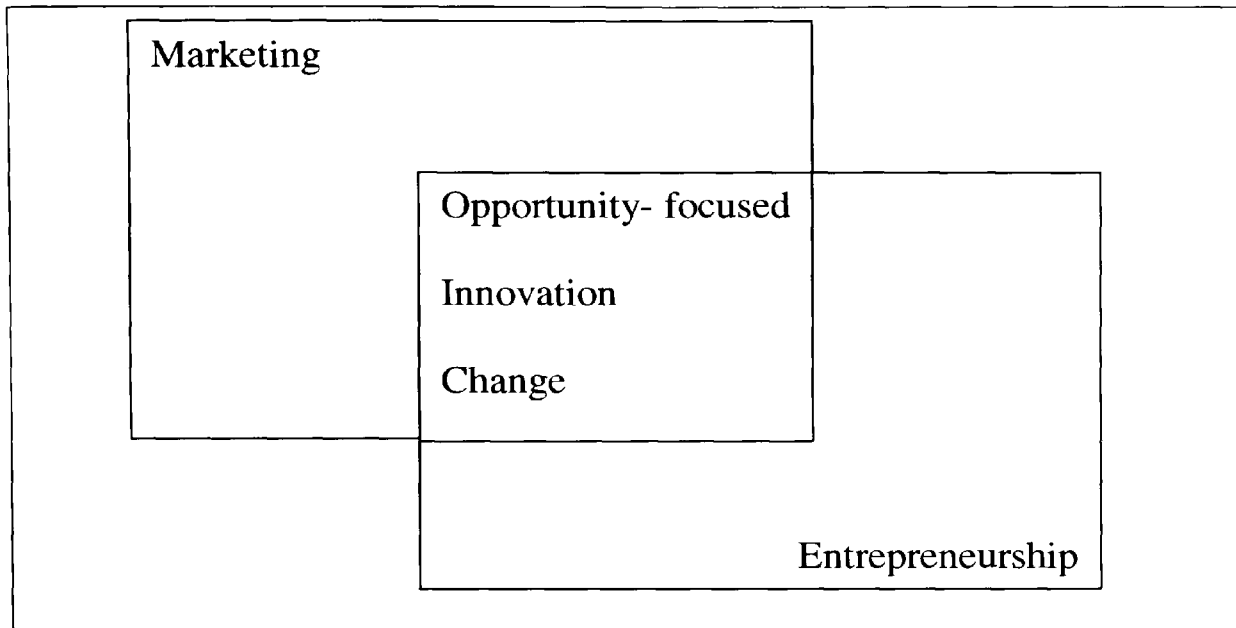
Source: Gardner, D. (1994)

According to Gardner, sources of entrepreneurial behaviour could arise from within or outside the organisation, which include the individual entrepreneur, the intrapreneur and entrepreneurial organisations themselves. Gardner regards the interface concept as important to plan for, acquire, and process the information vital for entrepreneurial success which should include the following:

- Marketing concept
- Marketing segmentation
- Time, place and possession utility
- Product life cycle
- Strategic planning.

Gardner (1994) points out that the interface requires flexibility and adaptability in today's rapidly changing environment. He also highlights the need to be aware of the critical success factors in the interface. In addition, he concludes that "the key element in understanding the marketing/entrepreneurship interface is the role of information on entrepreneurial behaviour."

The issue of the marketing interface within small and medium-sized enterprises has been further discussed by Carson, et al (1995) who note that the key points of the interface are opportunity, innovation and consequential change, as illustrated in Figure 3.3 below:

**Figure 3.3: Key issues in the marketing-entrepreneurship interface**

Source: Carson, D., Cromie, S., McGowan, P. and Hill, J. (1995)

According to Carson et al (1995), “*entrepreneurship and marketing are attitudes, ways of thinking and behaving, ways of doing*” and therefore both marketing and entrepreneurship affect and influence the establishment and development of new ventures. Therefore, the need for change is regarded as crucial for the growth and development of the firm.

The marketing interface is generally concerned with the process of finding out how SMEs perceive and undertake marketing in their business. SME managers gather information by using different approaches, which do not seem to connect together, and clarify the vague picture of marketing information that would serve as a base for their future actions. The interface contention is that marketing for the small firm should be relevant and appropriate both in respect to the problems that it seeks to address and the relative position of the firm in its life cycle. In particular, it is not against formal planning (Day, 2000). Indeed, marketing and entrepreneurship have essentially three key areas of interface: they are both change focused, opportunistic in nature and innovative in their approach to management (Collinson and Shaw, 2001). Carson et al (1995) perceive the central focus of the interface as being change focused, essentially process based and market driven.

It has been reported that the marketing interface is strongly interdependent although it is not harmonious (Dewsnap and Jobber, 2000). The literature describes the relationship as having little cohesion, limited co-ordination, lacking co-operation and involving conflict (Shocker, et, al., 1994, Urbanski, 1987, Wellman, 1995 and Wood and Tandon, 1994). Bradley (1998) has defined the marketing interface as “a fundamental variety of forces within and beyond the organisation”. Through the interface it is possible to marshal these forces beyond the organisation. According to O’Sullivan (1998) the marketing interface claims “the status of enduring shapers and creators of human experience”. Accordingly, the marketing interface exists between the SME and external social entities.

Carson (2003) in his work towards a research agenda for the marketing interface, where a simple question of what the marketing interface is, was distributed to people involved in research in the domain. The results of his work are summarised below.

“- Marketing and Entrepreneurship are different but overlap

*‘The interface is most commonly depicted as the overlap of interlocking circles in a Venn diagram.....The interface is thus that place where the principles and practice of marketing merge with the processes employed in entrepreneurship. The purpose of exploring the interface is that it enables us to throw light on each of the two disciplines.....Another way of looking at the relationship is as a continuum, with marketing at one end and entrepreneurship at the other.’*

*‘The central objective of marketing is to generate a superior value to the customer. That objective is reflected in entrepreneurship literature in the way of innovation or to take advantage of an opportunity’ (Carson, 2003)*

- It is marketing in new businesses and SMEs

*The theme here is that marketing in small(er) businesses is fundamentally different to traditional big business marketing and that this needs to be reflected in the academic study and research of the area. Here ‘interface’ appears to be defined as a context and that context is new/small business*

*‘Research has shown that small firms and entrepreneurs take different approaches to marketing not least because of finite resources and small customer bases. Thus far this has been considered purely as a different ‘perspective’ to marketing but that denies the importance of developing robust theoretical frameworks which are fundamentally different rather than simply applying large firm marketing theory to small firms. Elevating the*

*interface to a paradigm will eventually allow it to be developed as a marketing discipline in its own right.'*

*'I see the interface as a contemporary paradigm of research, associated with a corresponding school of thought. The interface offers an alternative platform of understanding for SME research and behaviour. Interface researchers recognise the inadequacies of 'conventional' textbook marketing (linear, stepwise, prescriptive approaches) in explaining SME behaviour. Interface researchers offer a more appropriate set of conceptualisations, based on non-linear behaviour where creativity, opportunity recognition, word of mouth, networking and exploitation of key competencies are central factors.'*

*'One key word concerning the interface.....is "implicit". The entrepreneur makes most of his decisions concerning marketing by intuition, and not backed by formal processes. This makes it interesting to compare the outcome of the marketing processes in SMEs'*

*'New enterprises depend on the support/acceptance of suppliers, investors, customers, employees, neighbours etc.....So, the marketing problem with respect to entrepreneurship is not just how to win customers, but how to win the support of all these stakeholders.....the high level of uncertainty on the part of the stakeholder. So, the marketing problem.....is how to overcome these uncertainties of the stakeholder' (Carson, 2003).*

#### **- Opportunity Seeking and Exploitation**

*'If marketing is about identifying and satisfying customer needs, the entrepreneurship marketing interface is that part of entrepreneurship which is concerned with opportunity identification and the development of new products, services, combinations or organisations to exploit the opportunity. This is in keeping with the recent emphasis on entrepreneurship as a process leading to new ventures or innovation'*

*The interface is represented by those people that can take a good idea and work it up into a viable business proposition". (Carson, 2003).*

Definitions provided by Carson (2003) cover a wide area of the marketing interface. Firstly, they acknowledge the presence of overlap between marketing and entrepreneurship, but also confirm that there is a shared discipline of equal importance.

McGowan and Durkin (2002) indicate that marketing and entrepreneurship involve the practice of innovation and change through addressing opportunities in the market

place and allocating the resources needed to exploit such opportunities. Day (1997) perceives the interface as:

- a particular organisational form;
- putting entrepreneurship into marketing;
- putting marketing into entrepreneurship;
- relevant competencies;
- similar and dissimilar characteristics and behaviour.

They also emphasise the fact that small firms carry out marketing in a totally different way to large organisations and that small firms take different approaches to marketing because of the limited resources available to small firms. It is for the purpose of this research the following definition has been formulated and is used in the questionnaire survey of the Libyan SMTEs. 'The marketing interface is the process of finding out how SMEs perceive and undertake marketing in their business, which contain a fundamental variety of forces within and beyond the small firm. It is the crossing point between the SME and other external social entities.'

### **3.5.6 The importance of the marketing interface**

Hisrich (1994) lists five reasons for the importance of the marketing interface, these are:

- 1- Marketing is one of the two biggest problems (finance is the other) facing entrepreneurs in the US and throughout the World.
- 2- Many entrepreneurs believe that everybody needs innovation and have no concept of market reality.
- 3- The mentality of entrepreneurs that their inventions might be stolen by others resulting in inventions being hidden and not benefiting from market feedback.
- 4- Marketing knowledge is lacking in some entrepreneurs, particularly those from a technical or engineering background.
- 5- Entrepreneurs can be poor managers.

Hisrich (1994) also points out that one important aspect of the interface is that it shares much in common, in particular in these areas:

- Both should be based on a marketing orientation

- Both have a 'deal' mentality, for the entrepreneur, this refers to conceiving and developing a venture and for the marketing manager, it refers to the closing of the sale.
- Both require the presence of distinctive competence.
- Both are affected by environmental turbulence.
- Both have behavioural orientation.
- Both are all encompassing – marketing in terms of models.

Furthermore, the importance of entrepreneurship in the development of a nation's economy is well documented. However, there is an argument that entrepreneurship needs marketing to be more effective and vice-versa. To what extent marketing and entrepreneurship are intertwined and inextricably linked is a matter of on-going research (Tzokas and Kyriazopoulos, 2001).

Whatever the extent of the marketing interface it is clear that marketing is of utmost importance to entrepreneurs. This view has been highlighted by Lodish et al (2001) who emphasises that *"marketing is of crucial importance to the success of most entrepreneurial ventures. Compared to other business functions, marketing has been rated as much more important to the new venture's prosperity."*

### **3.6 Marketing Approaches to Small Businesses**

#### **3.6.1 Introduction**

The question is do small firms approach marketing at all and if so how do they do it? Many authors have concluded that attention to marketing is perceived at a particular stage of a company's development. Churchill and Lewis (1983) and Flamholtz (1986), claim that the importance of marketing is only apparent at the existence stage and then decreases as the company grows. However, Carson (1993) suggests that a small firm only realises the importance of marketing when faced with substantial change, usually at growth or rapid decline of the business. Romano and Ratnatunga (1995) have identified three categories that marketing small businesses fall into, these are: marketing as culture (consumer needs and competitiveness), marketing as a strategy (strategy development and developing market position), and marketing as tactics (the use of the 4P's to influence performance). Weinrauch et al (1991), argue that small firms still lack a strategic orientation. However, Coviello et al (2000) point out that focusing on a tactical approach will lead to marketing being put back to its

traditional framework of transactional marketing, which might result in the small business adopting a relational approach that can lead towards a practice of interaction and a network approach to marketing.

Wright (2002) concludes from this discussion that the characteristics of a small business and its owner/manager do not always encourage a marketing orientation and approaches to strategic planning are limited if in evidence at all. Carson (1990) believes that small business owners adapt marketing to their own requirements, and according to a theoretical framework. They have a “distinctive marketing style” distinguished by an inherent informality in structure, evaluation and implementation and by being restricted in scope and activity, simplistic and haphazard, product and price oriented, and owner-manager involved. Sum (1997) summarises the characteristics of the four main approaches in marketing as shown in Table 3.3 below.

**Table 3.3: Comparison of the four main approaches to small firm marketing**

Categories	Stage/Growth Model		Management Style Approach			Management Function Approach		Contingency Approach	
	Traditional	Environmental	Pull	Push	Behavioural	Business Function	Planning Component	Business Philosophy	Small Business orientation
Emphasis	Organisational Change	Marketing Responses	Environmental Influence	Personal Characteristics	Organisational Culture	Solve Management problem	Assist Strategic Planning	Strategic Marketing Concept	Limitation of Small Business
Marketing	Functional Problems	Business philosophy	Look After Itself Marketing	Entrepreneurial Marketing	Organisational Marketing	Tactical Marketing Concept	Small Share or Low Cost Marketing	Strategic Marketing	Specific Paradigm
Unit of Analysis	Organisational Structure and Strategy	Marketing Structure and Strategy	External Publics	Psychographic Characteristics	Organisational Culture	Marketing Department or Managers	Entrepreneurs or Owner-Manager	Small Firms	Marketing Discipline
Representative Literature	Churchill & Lewis (1983); Kazanjian (1984); Flamholtz (1986)	Tyebjee, Bruno & McIntyre (1983); Carson (1985)	Scase & Goffee (1980); Watkins & Blackburn (1986)	Ford & Rowley (1977); Smart & Conant (1994)	Carson & Cromie (1989); Moris & Paul (1987)	Broom & Longenecker (1979)	Frantz (1978); Ames & Wellsfry (1983)	Waterworth (1987); Collieran (1985)	Carson (1990); Carson et al. (1995)
									Moller & Anttila (1987); Brooksbank, Kirby & Wright (1992)

Source: Sum (1997)



### **3.6.2 The Stage/Growth Model**

In the past researchers (Greiner, 1972; Adizes, 1989) have adopted general growth models to consider business activities. Other researchers (Churchill and Lewis, 1983; Scott and Bruce, 1987; Steinmetz, 1969) have progressed a step further into developing growth models to represent the activities of small businesses. Attention was given to the different types of problems encountered and the consequent business activities and marketing behaviour of the small business or owner manager (Churchill and Lewis, 1983; Cooper, 1982). This approach can be categorised as ‘marketing as a functional problem’ and ‘marketing as a business philosophy’.

#### **3.6.2.1 Marketing as a Functional Problem**

More emphasis has been placed by early studies of small business growth and development on organisational development of the firm (Churchill and Lewis, 1983), strategic operational decisions (Kazanjian, 1984) and corporate culture (Flamholtz, 1986). Therefore, marketing was not seen as the major research thrust. Churchill and Lewis (1983) identify five stages of development a firm would pass through. These are:

- (1) *“Existence;*
- (2) *Survival;*
- (3) *Success;*
- (4) *Take-off;*
- (5) *Resource Mature.”* (Churchill and Lewis, 1983)

Marketing is believed to appear in the first stage ‘existence’, where the owner manager takes charge of most activities related to marketing and sales. At this stage the firm does not have a marketing system. When the firm experiences growth, less attention is directed towards marketing, and a marketing system develops and becomes systemised and formalised. Professional managers replace the owner-manager and take charge of the immediate marketing and sales functions. With growth, marketing decreases from ‘critically important’ to ‘modestly irrelevant’. Kazanjian (1984) attempts to identify the strategic operational or structural problems associated with different stages in the development of new technology-based ventures.

### **3.6.2.2 Marketing as a Business Philosophy**

Recent research has suggested that market planning is a prerequisite for success alongside growth and has shifted the research thrust to proactive marketing strategies (Tyebjee, et, al., 1983) and the marketing evolution process (Carson 1985). This has led to marketing being upgraded from a functional level to a strategic level, which also supports proactive rather than reactive marketing. The development process and evolution concept have been used by Tyebjee et al (1983) to depict the changes in marketing activity together with company growth. Four different stages are identified: Entrepreneurial Marketing, Opportunistic Marketing, Responsive Marketing and Diversified Marketing. Carson (1985) points to a number of marketing constraints which include: limited resources, lack of expertise and limited impact on the marketplace. He further adds that these constraints apply to most small firms. He incorporates the life cycle model and evolution concept to identify a four-stage evolutionary process of marketing. He suggests that these stages are:

- “(1) Initial Marketing activity,*
- (2) Reactive Selling,*
- (3) The DIY Marketing Approach, and*
- (4) Integrated Proactive Marketing” (Carson, 1985)*

Marketing does not exist or, at best, is performed in a very primitive fashion in new small firms. Successful small firms grow and evolve from a responsive and disjointed organisation to a firm with an integrative and proactive approach to marketing, while marketing activities evolve from entrepreneurial marketing to professional marketing.

This suggests that any model dealing with marketing in small businesses must take into consideration the stage of development of the business (Carson, 1985; Tyebjee, et, al., 1983). This was the corner stone of the framework as well as the starting point for further analysis. The stage/growth model is set on two assumptions: first the necessary change in business and the marketing practices of the owner or the enterprise to enable the smooth progression of the business from one stage to another; and second the awareness and ability of the manager to deal with problems arising at each stage.

Furthermore, we must take into consideration that not all small firms conform to this model, depending on the marketing knowledge and education of the entrepreneur; also other variables like aptitude towards marketing will help in shaping the business life cycle curve. Other points in the argument provided by this model are that the number of stages of the life cycle of the business may vary considerably from one business to another. It can be as few as one or as many as eleven or more (Cooper 1982). Further to this most of the traditional stage models provide a description of internal changes in organisational structure with no mention of the external factors. Rhenman (1973) suggests that there is a life cycle and the cycle and patterns in organisations is a product of the environment. Therefore, the discussion indicates that the stage/growth model may not provide the desired foundations for developing new knowledge regarding small business marketing.

### **3.6.3 The Management Style Approach**

Cannon (1980), Watkins and Blackburn (1986) suggest that factors such as environmental and small size direct the owner-manager in acting as a responsive marketer. Other researchers (Ford and Rowley, 1979; Smith, 1967) indicate that marketing behaviour in small businesses is related to the personal characteristics of the owner manager. Research in academia (Carson and Cromie, 1989; Covin and Slevin, 1988 and 1989) has suggested that the organisational structure and the strategic marketing posture of the firm influence company performance. This approach to small firm marketing has been classified as 'look after itself' marketing, 'entrepreneurial' marketing and 'organisational' marketing.

#### **3.6.3.1 'Look after Itself' Marketing**

Churchill and Lewis (1983) and Cannon (1980) assume that the marketing power of small firms and the attitudes of owner managers are only vital in the first stage. The importance of analysis and planning to marketing leads to the first problem for the responsive small business manager. The small business manager acts on a day-to-day basis dealing with the business rather than following a specific marketing plan (Scase and Goffee, 1980). However, there are a number of factors that stand as obstacles to developing marketing in small firms, which include the technical and engineering

background of many managers, their reluctance to recruit outside specialists, and their reservations about the applicability of certain notions of marketing to what they believe to be their 'special' circumstances. Watkins and Blackburn (1986) added that the craft based skills of entrepreneurs, subcontracting nature of small firms and small customer base have constraining effects on the range and scope of the marketing activities a small business can apply. The stage following the start-up, which is selling the enterprise's products and services, is perceived by the small business manager as unproblematic. The owner-manager often rejects advertising and marketing research as they are regarded as expensive, difficult to quantify and an indicator of poorly managed business (Curran, 1988; Watkins and Blackburn, 1986). This clearly explains why small firms appear weak in relation to marketing orientation and reviews of the literature reveal that small firms are pulled into this 'look after itself' type of marketing by the external environment and the organisational structure of the business.

### **3.6.3.2 Entrepreneurial Marketing**

Smith (1967) identifies two types of entrepreneur: craftsman entrepreneurs and opportunistic entrepreneurs. Craftsman entrepreneurs make use of personal relationships in marketing whilst opportunistic entrepreneurs are very much market oriented, looking out for new opportunities. Companies founded by opportunistic entrepreneurs often have higher growth rates than those of the craftsman entrepreneurs. The empirical finding of Smart and Conant (1994) reveals that the business people with higher entrepreneurial orientation report greater possession of distinctive marketing competences. It seems that the personal characteristics of entrepreneurs and the marketing behaviour of small firms are to some extent related. The misconception of many owner-managers is that marketing also makes them take a negative approach to the markets they are serving (Brown, 1984). Ford and Rowley (1979) suggest that the marketing behaviour of small firms appears to be related to the motivation, belief, attitude and the objectives of the owner-manager, and is also influenced by the limitations and constraints of the small business.

### **3.6.3.3 Organisational Marketing**

Leppard and McDonald (1987) report that the development and role of market planning alongside the firm's evolution are attributed to the influence of the organisation culture, as well as external factors. Stevenson, et al (1985), Stevenson and Sahiman, (1986), (1989) and Wilken (1987) propose the use of the behavioural approach to add new knowledge. They suggest that successful entrepreneurs are those who perceive opportunity, find the pursuit of opportunity desirable in the context of their life situation and believe that success is possible. Small firms who exhibit those activities are in fact practising marketing as their activities correspond to the competitive marketing concept, as defined by Hooley and Saunders (1993). This approach suggests that both the entrepreneurial characteristics and the marketing orientation of the owner-manager are important factors in understanding the marketing activities of small firms.

Covin and Slevin (1988), (1989) have argued that organisational structure and the strategic marketing posture of small firms may influence performance. Research in these studies has suggested that a strong marketing and entrepreneurial orientation occurs when other elements in the organisational system provide a supportive context. Other research by Morris and Paul (1987) support this result, with an indication that companies who score highest in terms of entrepreneurial orientation also tend to be more marketing oriented, while at the same time suggesting that the marketing activities of small firms tend to be related to their organisational culture.

Further research by Carson and Cromie (1989) attempted to acknowledge the effect of management style and the culture of small firms on the character and nature of market planning activities. The conclusion listed three approaches to market planning in small firms, namely 'non-marketing', 'implicit marketing' and 'sophisticated marketing'. This has lead to their suggestion of the need to fit the marketing approach to suit the circumstances and characteristics of small firms and their owner-manager. Though the relationship between marketing activities, organisational culture and entrepreneurial characteristics are identified, the mechanics of the relationships and the marketing decision process are not fully examined. Carson and Cromie (1989) do not provide further detailed discussions of how the management style and culture of a small firm influence and change the marketing planning process and activities.

The major contribution of the management style approach is the acknowledgment of the importance of the small firm's specific limitations and constraints and in providing a useful explanation for the retarded development of marketing in small firms. However, this approach does not depict and explain marketing practices in small firms. Further, this style does not have a common platform for researchers to study the management style related to marketing in small firms. Different researchers (Covin and Slevin, 1989; Carson and Cromie, 1989, Ford and Rowley, 1979; Smith, 1967) adopt different key behavioural patterns to determine the marketing characteristics of small firms. Reviews of the relevant literature on the management style approach seem to indicate that unless the specific organisational context of small firms and the relationship with marketing are examined rigorously, the approach is not able to offer a sound foundation for building new knowledge in small firm marketing.

### **3.6.4 The Management Function Approach**

The classical management theories classify marketing as a business function equal to finance, production and human resource management. Marketing as a small business function is extensive and wide-ranging. It is seen as a 'peripheral business function', an 'essential ingredient in strategic planning' and a 'business philosophy'.

#### **3.6.4.1 Marketing as a Peripheral Business Function**

Brown (1984) points out that the owner-manager misconceives marketing and Curran (1988) adds that they perceive it as unproblematic. Small firms tend to pay more attention to marketing when they experience a different situation like the need to grow or when facing the crisis of survival (Carson, 1993). Broom and Longenecker (1979), Hazel and Reid (1973), Moss and Clarke (1990), Steinhoff and Burgess (1989) propose the use of the tactical marketing concept, the traditional 4Ps (McCarthy, 1960), as the prescription to assist small business owner managers grow or survive. However, Carson (1993) argues that treating marketing as a business function applicable to small business ignores the marketing limitations and constraints of small firms. The small firm owner-managers often interpret marketing as the 4Ps only and marketing is only applied in a

‘general’ sense. Carson (1993) further acknowledges that in such circumstances marketing is deemed peripheral to small firms.

#### **3.6.4.2 Marketing as an Essential Ingredient in Strategic Planning**

When McCarthy (1960) envisaged the 4Ps concept, it was intended to serve as a ‘convenience description’ of the total marketing activity. Assael (1985) points out that marketing would also need to be considered from the corporate level. Frantz (1978) suggests a capsule description of the small firm marketing strategy development process which includes appreciation of small business limitations; identification of target market(s); and development of the marketing mix. Frantz (1978) further proposes that small firms should adopt the overall marketing orientation, use low cost marketing research methods, and utilise personal selling activities to market their products.

Although the limitations and constraints of small businesses are acknowledged, respective recommendations are based on the presupposition that marketing is universally applicable. These recommendations are different versions of marketing with limited resources or low cost marketing (Cohen and Reddick, 1981; Levinson, 1989; Ross and Ross, 1990; West, 1975). Moreover, the relationship between marketing and corporate planning has not been identified. The specific strengths of small business, like personal contact networks (Aldrich and Zimmer, 1986; Johannisson, 1984 and 1986) and management competence (Carson, 1993), are only tangentially covered. Ames and Wellsfry (1983) argue that if the owner manager understands advantages and disadvantages of a small business marketer, he/she will be able to redesign the marketing strategy properly. A normative marketing approach, which comprises market analysis, product or service analysis, target market identification, and formulation of the respective marketing mix, is suggested to assist small business owners to design their marketing plan. However, they perceive marketing only as an important tool in strategic planning, basically for building a bridge between the firm and the customer, and providing a measure, like the marketing audit, to scrutinise the firm’s marketing strengths and opportunities.

Bennet (1990) and Hill (1990) articulate the importance of evaluating a small firm’s external and internal constraints, but they fail to integrate the specific characteristics of

the small business into their analytical framework, as suggested by Carson (1985). The willingness of the owner-manager to adopt marketing, and his/her perception of its effectiveness, has not been taken into consideration. Furthermore, approaches treating marketing as an essential ingredient in strategic planning but failing to consider small firm characteristics are different versions of small share marketing (Woo and Cooper, 1982; Stasch and Ward, 1989). Thus, adopting the small share marketing approach suggests that small businesses would be better staying in more mature and lower growth markets since small firms find it easier to define and protect their market potential there. More importantly, Baker (1985) and Assael (1985) acknowledge the importance of marketing to business success and argue that it has to be considered as a business philosophy, not just an essential ingredient in strategic planning. Sashittal and Wilemon's (1996) empirical research into small firms reveals that the functional marketing implementation process of small firms appears to involve an almost certain deviation from original plans and requires a continual stream of adaptive decisions and actions. Their work further advocates the need for adopting corporate strategic thinking in order to enhance the marketing effectiveness of small firms and advances the argument for theory building in small firm marketing.

#### **3.6.4.3 Marketing as a Business Concept/Philosophy for Small Business**

This school considers marketing as one of the most powerful tools of the corporate strategist for planning. Cohen (1991) shows that the marketing plan for the small firm and the business (strategic) plan are in many ways identical; while management scholars such as Brown (1986); Colleran (1985) and Patten (1989) postulate that the strategic marketing concept should be the basic concept that governs the business. It is also important to note that these writers adopt a short or medium-term time horizon in their recommendations, which shows that they have in a certain way violated the rule of long term orientation as the basic rules for effective marketing (Kotler, 1988). Waterworth (1987) proposes that small firms should use a long-term planning strategy to benefit from opportunities and further argues that small businesses need the discipline of marketing and market planning. He further proposes that owing to the restricted resources of the small firm, a market segmentation strategy should be used to identify a



specific segment(s), to be concentrated upon and researched in order to minimise costs. This is called the market targeting strategy (Kotler, 1988).

The major contribution of the management function approach is the acknowledgment of marketing as both an important function and an essential concept in small firm growth and survival. More recently research studies have shifted from focusing on marketing functions and organisations, which emphasise the marketing department, budgets, etc., to marketing philosophies and planning, which focus on how marketing is actually carried out (Baker and Hart, 1989; Hooley, et, al., 1990; Piercy and Morgan, 1994). Nonetheless, small business researchers have not actively adopted this approach (Brooksbank, et, al. 1992).

### **3.6.5 The Contingency Approach**

Cannon (1991) suggests the use of the contingency approach that has been largely accepted in the field of strategic management and marketing (Ginsberg and Venkatraman, 1985; Zeithaml, et, al., 1988) and to close the gap between marketing and small firm research. The philosophy of the contingency approach lies in the fact that a number of different factors influence the small business's marketing performance. This has lead to Cannon's model failure as the relations among marketing variables and organisational factors are not examined and discussed.

#### **3.6.5.1 The Small Business Orientation**

Hogarth-Scott, et al (1996) adopt the contingency approach to understand small firm marketing by assessing the external marketing environments of small firms. The research reveals that complex theories or sophisticated formal procedures are inappropriate for small firms and the small business owners would not have the time or patience required to digest, let alone implement them. Carson (1990a) proposes an interlocking of models, also a contingency approach, to assess small firm market planning capability and performance. An attempt was made by Carson to develop an integrative approach to market planning that can be adapted in a flexible way to suit any small firm at whatever stage in its development and evolution. Six models are proposed.

They are marketing limitations, level of generalisation, planning versus operations, adaptation of marketing theories, stages of marketing development and level of marketing activities. These models are explained in more detail below:

*Model 1: Marketing Limitations*

This model describes three types of constraint affecting the way in which small firms undertake marketing.

(1) *Limitations of expenditure* – relate to resources and are described in terms of time and money devoted to marketing. Expenditure is classified as:

- Minimal – where the firm spends the minimum amount of money necessary to communicate with its customers;
- Limited – where money and resources are expended with the sole objective of increasing sales;
- Substantial – applies to a market driven firm in which the owner-manager spends most time dealing with markets and customers.

(2) *Limitations of expertise* – outline the marketing background of the firm's management, which can be described in one of three categories:

- Self-help – where managers have taught themselves marketing through private study;
- Appreciation level – where marketing has been studied as part of a general supervisory management programme;
- In-depth – describes managers who have undergone long-term company specific action learning programmes in marketing.

(3) *Limitations of impact* – arises from the limitations of expenditure and expertise. A judgement has been made on the extent to which a firm and its products or services are known in the marketplace. Three levels have been identified to describe this:

- Minimal impact;
- Limited impact;
- Substantial impact.

#### *Model 2: Levels of Generalisation*

Model 2 examines how the general principles of marketing are adapted to the situation in which a firm is operating. Three levels are identified:

- (1) *General concepts* – apply where a firm's marketing is in accordance with general concepts as described in textbooks, but is not carried through into implementation.
- (2) *Industry-specific* – describes the situation where the firm follows the norms and practices of its industry.
- (3) *Situation-specific* – can be applied to a firm carrying out innovative marketing to suit its circumstances.

#### *Model 3: Planning versus Operations*

Model 3 is based on the broad distinction between two different types of marketing decisions. Those which involve thinking about the future, forecasting, setting objectives and developing strategies are regarded as planning decisions. Others, giving instant results to an immediate problem, are operational. The model focuses on the extent to which there is a balance between the two in a firm's marketing. The categories are:

- (1) *minimal* – where operations dominate; and
- (2) *balanced* – where there is a balance between planning and operations.

#### *Model 4: Market Planning Adapted for Small Firms*

Model 4 considers the extent to which a firm adapts broad market planning concepts and applies marketing techniques to suit its circumstances. Limited adaptation is found where a firm uses marketing techniques unsuitable to its needs. Substantial adaptation, on the other hand, arises where the techniques have been refined to suit the characteristics of the firm and its environment.

*Model 5: Stages of Marketing Development*

Model 5 is derived from the evolution of marketing practices in the firm from the date of its establishment to the point at which it achieves a breakthrough to medium size. Four stages have been identified:

- (1) *Reactive* – which is usual for new firms and describes a situation where all customers are personally known to the owner and business tends to develop through word-of-mouth recommendation based on product, price and delivery.
- (2) *Tinkering marketing* – the spontaneous and spasmodic attempts to increase sales, perhaps through occasional local advertising, brochure or sponsorship.
- (3) *Entrepreneurial marketing* – instinctive marketing carried out as the owner-manager learns about marketing and recognises its value in generating extra sales. Owner-managers often have a craft or production background, which can lead to an approach incompatible with the marketing concept.
- (4) *Proactive marketing* – professional marketing carried out by a marketing expert in a co-ordinated and integrated manner.

*Model 6: Level of Activity*

Model 6 examines the techniques and operations of marketing in the context of market planning. This model draws on the dimensions surrounding the other models and classification can be made on the basis of both external and internal considerations. It differentiates three levels of marketing activity:

- (1) *Little or no marketing* – occurs where a firm generally reacts to customer requirements, has little or no knowledge of the customer base or the market and has no clear purpose.
- (2) *Implicit and simple marketing* – arises in a firm which undertakes instinctive marketing as part of normal business activities, but it is fragmented because of lack of resources and expertise.

- (3) *Explicit and sophisticated marketing* – is a co-ordinated, integrated programme of marketing with a clear purpose and objective.

The models offer suggestions to deal with the inadequacies in understanding the planning process of marketing in small firms. However, the models only offer a depiction of the marketing approach of small firms and discussions focus mainly on the mechanism and structure whilst the process and substance of market planning are neglected. Fuller (1994) points to the importance of using the strategic market planning concept to refine Carson's (1990a) model. However Carson (1990b) believes small business owners adapt marketing to their own requirements, not according to some theoretical framework. They have a 'distinctive marketing style' distinguished by an inherent informality in structure, evaluation and implementation, and by being restricted in scope and activity, simplistic and haphazard, product and price oriented, and owner/manager 'involved'. However, marketing is a discipline (Baker, 1985; Gardner, 1991; Waterworth, 1987) and to be implemented effectively, it has to be adapted and modified accordingly, not changed. In other words, Carson (1990b) ignores the disciplinary foundation of marketing. A balanced approach, putting emphasis on both the specific characteristics of small firms and the normative marketing discipline, is not found in small business literature. More recently, Carson et al (1995) have proposed an innovative approach by integrating the entrepreneurial marketing competency and the entrepreneurial marketing network to study small firm marketing. However, this postulation has not yet been supported by extensive empirical research.

### **3.6.6 The Marketing Discipline Orientation**

Moller and Anttila (1987) argue that the role of marketing in the management of a company should be considered from a comprehensive and multi-level (systems approach) perspective. The model proposed comprises two major components: the external and internal field of marketing capability. The external field of marketing capability includes the macro, industry and immediate environment of a firm. The internal field includes the business idea, strategic orientation, integration of function, management of marketing and position of marketing in the operative management

systems. The results of the research show that marketing capability constructs are beneficial in understanding small firm marketing.

Brooksbank, et al (1992) use the normative marketing process (Brooksbank, 1990) to determine the relationship between traditional marketing tenets and the performance of medium-sized firms. The result shows that a better understanding of marketing and a consistency in its application lead to small firm success and that medium-sized companies tend to use long-term strategic planning skills informally, to adopt a reactive, instead of proactive perspective in planning, and to set defensive rather than aggressive marketing objectives and strategies. The study fails to identify the external environmental factors and their influence on marketing. Zeithaml, et al (1988) point out that company effectiveness depends on the appropriate matching of contingency factors within internal organisational designs that can allow appropriate marketing responses to the environment.

The major contribution of the contingency approach is the acknowledgment that various factors influence the small firm's marketing performance. The basic assumption of the contingency approach is that strategy-performance relationships can vary across different environments and different firm size (Lee, et al 1993). In bridging the small business paradigm and the marketing discipline the contingency approach could help advance the body of knowledge on marketing in small business (Zaltman, et al 1982).

The approaches to small firm marketing reveal how differences are present amongst the four major approaches. The first approach the stage/growth model presents a practical framework. However, other research (Robin, 1991) suggests that marketing characteristics of the smaller enterprises do not always follow and progress through development stages of the marketing. The management style approach confirms that the marketing behaviour relates to motivation, belief, attitude and objectives of the owner/manager. However, the management function approach was more advanced due to its contribution in the acknowledgement of marketing as an important function and

essential concept for growth in small firms. The contingency approach is considered the most appropriate answer to unbalanced situations in small firms.

### 3.7 Conventional marketing and entrepreneurial marketing

Schindehutte, et al (2000) have explored the differences that exist between conventional marketing and entrepreneurial marketing where a number of characters distinguish between the two, these are illustrated in Table 3.4 below.

**Table: 3.4 Differences between conventional marketing and entrepreneurial marketing**

Aspect of Marketing	Conventional Marketing	Entrepreneurial Marketing
Definition of marketing	Facilitate transactions	Lead the company into new technologies/ products/ markets; Leads the customer
Marketing Strategy	Development of strategy most important	Implementation of strategy most important
Marketing concept	Management of fixed set of marketing elements	Creation of customer value through continuous innovation
Primary goal	Capitalise on change	Create change
Dynamics	Reactive	Proactive
Focus on marketing planning	Adaptation to changing market environment	Vehicle for effecting change
Market segmentation	Focus on customer characteristics, preferences, behaviour	Classify customer on responsiveness to dynamic variables
Marketing mix	Elements are constants	Elements are variables
Source of customer value	4P's	4P's as well as purchasing, finance, production, etc.
Approach to serving needs	Follow customer	Lead customer
Action orientation	Appetite for "leading" (monitor change)	Appetite for "doing" (institutionalised revolution)
Develop employees into	People who can perpetuate conventional wisdom	Marketing subversives; renovation champions, change masters

Source: Schindehutte, et al (2000)

Most literature regarding small firm marketing has been rather descriptive and has concentrated on identifying what the marketing interface involves. Exceptions to this are Blenker (2002) who has pointed to the need to identify the small firm's strengths and weaknesses as well as opportunities and threats, and O'Sullivan (1998) who states that

the marketing interface exists between the SME and external social entities. This, and the researcher's involvement in the small firm sector in Libya, together with consultations with other SMTE owner/managers has lead to the exploration of issues that affect the marketing interface in the Libyan environment through its small firm sector within the tourism industry. This has lead to the development of a conceptual framework and it is anticipated that this will elucidate issues related to the marketing interface in light of the development of the tourism industry in general and the encouragement of the small firm sector operating within it.

### **3.8 Organisational learning and the marketing interface**

This section identifies what organisational learning involves and what its relation is to the small firm and in particular to the marketing interface. Organisational learning is important in identifying how small firm owner/managers deal with uncertain situations which they face in the small business environment. This notion cannot be ignored in the study of SMEs owner/managers. As to whether organisational learning is a new phenomenon in the business environment, Easterby-Smith and Araujano (1999) have commented that the idea of organisational learning has been present in the management literature for decades, but it has only become widely recognised since around 1990 when managers started to recognise organisational learning as a powerful tool to improve the performance of the organisation.

Argyris (1977) defines organisational learning as the process of “detection and correction of errors.” He sees organisations carrying out learning through individuals who act as agents for them: “The individuals’ learning activities, in turn, are facilitated or inhibited by an ecological system of factors that may be called an organisational learning system”.

Organisations are regarded as learning bodies if the collective patterns of behaviour amongst their members change and adapt to their environment. Individuals act as learning agents for the organisation by detecting and correcting errors in the organisation's behavioural patterns which in turn becomes embedded in the “culture” of the organisation (Argyris and Schön, 1978).



Malhotra (1996) comments that organisations can learn as well as individuals, since many fundamentals of learning are regarded as the same for both individuals and organisations. However, organisational learning has a number of characteristics which distinguish it from individuals' learning. These are as follows:

- Situated and concerned with communities of practice.
- More informal and involve far less teaching than the individual case.
- Relatively unregulated

According to Argyris and Schön (1974, 1978) organisational learning can take the form of either single-loop or double-loop learning, where single loop learning has more emphasis on the detection and correction of errors within a given set of governing variables and is linked to incremental change in the organisation. A more complex way of learning in organisations is double-loop learning which involves interrogating the governing variables and often involves major changes and alterations in the organisation's strategy. Wyer and Boocock (1996) refer to the work undertaken by Kelly (1955) who states that *"each individual utilises a personal construct system – a mental model or recipe or mindset – which is derived from inherent personal characteristics and accumulated experience"*. They regard this personal construct as being used by the individual as a frame of reference to interpret the World as the individual sees it, which in turn reflects the way the individual deals with new situations as they unfold in the organisation. Wyer, et al. (2000) refer to personal constructs as the window through which we see the world around us, they add that if these constructs are a frame of reference in assessing and predicting the outcome of a new situation, they would be regarded as relevant. On the other hand, if these constructs were inadequate in dealing with situations as they arise, *"then the assumptions upon which they are founded have to be surfaced and questioned and the constructs ultimately modified in order to allow us to deal with the change situation"*. (Wyer, 2000)

In support of this explanation Wyer and Mason (1998) refer to the work of Stacey (1993) where single loops were referred to as simple learning, which takes place when a construct is applied without being surfaced and questioned. A double loop is considered

as complex learning which takes place when a construct is surfaced and questioned to deal with new situation. According to Wyer and Mason, this requires the manager to find out what in the manager's personal world has changed, what action should be taken and what consequences might arise from such action for the current personal construct system.

The learning process can occur at different levels of organisations (individual, group, department, function, or business unit and so on). Although these levels of organisation interact, learning usually follows a sequential path between individuals, organisations and environments (Argyris and Schön, 1978; Popper and Lipshitz, 2000).

Morgan (2004) supports the idea that although individual learning is fundamental to this process, continuity is established by developing *“operating procedures, mental models and implicit assumptions which operate as a kind of supra-individual memory (Walsh, 1995) that preserves learning. True, the individual that has engaged in and interpreted organisational actions and outcomes might possess richer knowledge than the organisation. However, organisational learning enables individuals other than the progenitor to engage in similar actions (Sinkkula, 1994) and thus increase the likelihood of reliability and continuity (Hannan and Freeman, 1988). Learning at the organisational level, thus, transcends the individual (Moorman and Miner, 1997; Kyriakopoulos, 2000)”*

It appears that organisations can learn in a similar way to individuals. However, organisational learning has distinctive characteristics which are described by Salomon and Perkins (1998) as follows:

- *Situated and concerned with communities of practice.*
- *More 'informal' and involve far less 'teaching' than the individual case.*
- *Relatively unregulated.*

Organisational learning is of considerable importance to small firms since they rely more on the entrepreneur/owner-manager's personal experiences in running the business than larger organisations where more systematic procedures are in place. In this research

one of the objectives is to identify the process of learning owner/managers experience in their day to day operations of the small firm, and to understand how they learn to deal with situations that occur and the new emerging situations for which they have no past experience. Their knowledge in dealing with such situations may prove a real challenge to themselves and their small business.

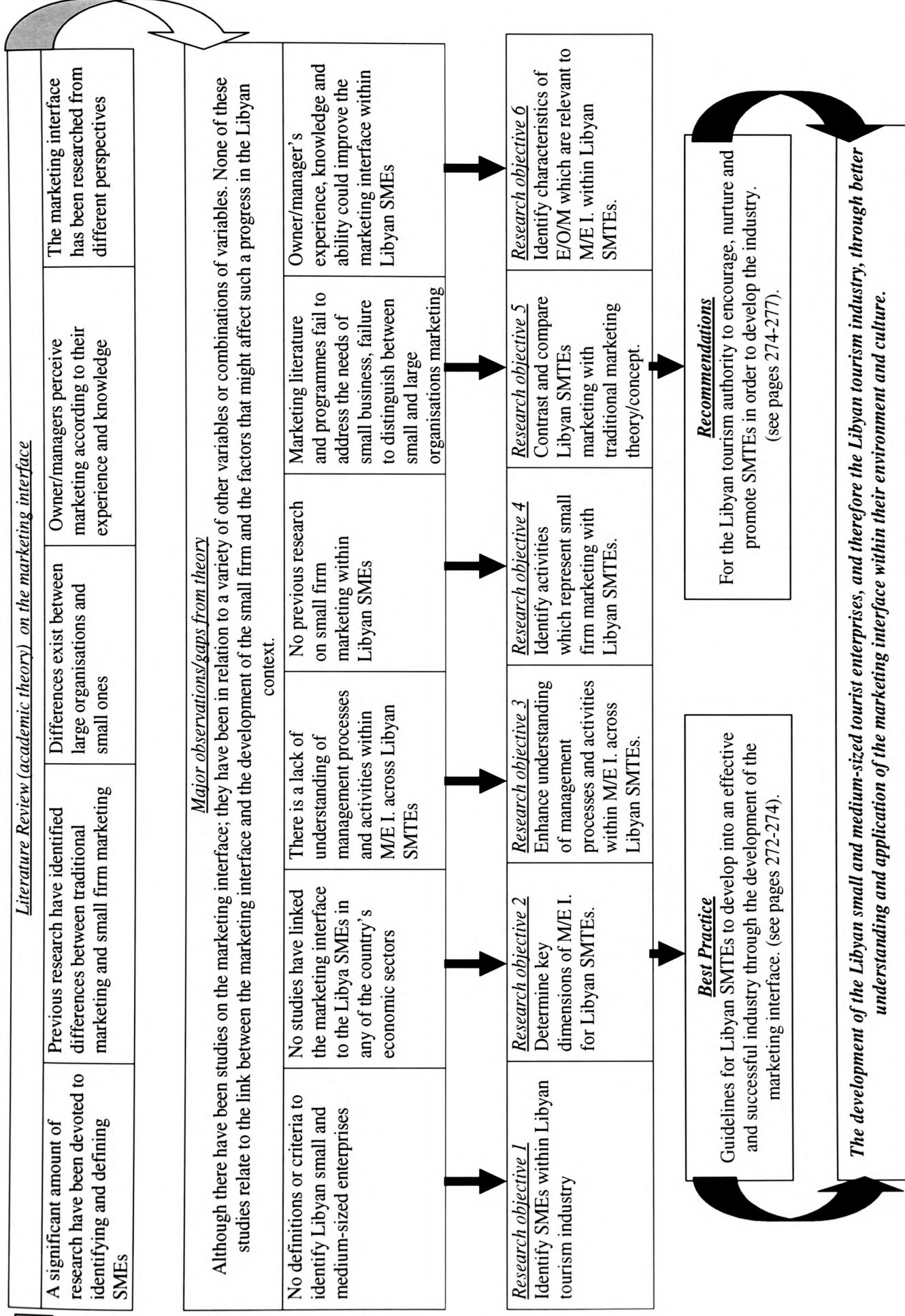
### **3.9 Development of conceptual framework**

The conceptual framework depicts the variables in the research and the relationship among them (Cone & Foster, 1993). It has been developed to draw together key theoretical and/or conceptual sub-frames of insight revealed in the literature review. Key theoretical issues concerning the interface within small and medium-sized enterprises have been identified. Furthermore, observations and gaps have been identified as a consequence of the literature review.

Previous steps have led to the main aims of the research and objectives which are revealed from the gaps and observations found in the literature review. The objectives therefore focus on issues specifically dealing with the gaps and observations identified in the literature review. The conceptual framework presents a strong linkage between the literature review and the research objectives which are linked directly. These issues have been assembled in a working conceptual framework (see Figure 3.4) in order to understand what might affect the marketing interface in the small firm, as well as endeavouring to explain why some firms lack the commitment to apply the marketing interface orientation.

The interface has been researched from many other perspectives, both at the philosophical level as well as at the functional level. A significant amount of evidence has supported the notion that the marketing interface needs to be further investigated (Hills and LaForge, 1992; Hills, 1994; Gardner, 1994; Cravens, et al, 1994). This new view of the marketing interface should provide valuable insights. Since the conceptual framework analysed the literature, future research can proceed on more solid ground. Furthermore, the fostering of cultural and philosophical changes may be needed in order to raise awareness of the marketing interface among small firms, who show little interest in this cultural change, and this can be enabled by targeting appropriate programmes of

business support from the Libyan government and non-governmental organisations (NGOs) like the Libyan Tourism Society. However, research has failed to show the link between the interface and the development of SMEs which this research is aiming to identify.

**Figure 3.4: A Conceptual Framework of the Marketing Interface**

The conceptual framework developed in this thesis plays a central role in the investigation of the marketing interface. This is evidenced in the examination of the research objectives involved with the interface. The literature review illustrates various issues related the interface which has been researched during the last twenty years or so. The key theoretical and/or conceptual sub-frames of insight show that there are two levels of understanding regarding the interface. The theoretical underpinning of the marketing interface paradigm has evolved from the study of the interface with regard to large organisations and this has been applied to the interface for small firms. The conceptual framework has been designed to enable the conceptualisation of an alternative sub frame of insight appropriate to the “reality” of small firm operations. The literature clearly describes what is already understood and the gaps in existing understanding are clearly revealed. The study objectives enunciated in the conceptual framework have enabled the research question to be formulated for the investigation and this has informed the investigative approach in terms of exploring the positive and negative effects of the marketing interface which have formed the empirical components of the investigation. This has resulted in a strong linkage between the literature review and the subsequent components of the study. Through the development of the conceptual framework following the empirical study the “reality” of the marketing interface for the small firms in the Libyan tourism industry has been illustrated in chapter six (findings and analysis) and chapter seven (conclusions and recommendations) of this thesis.

The framework contributes to the literature on the marketing interface by clearly indicating the interaction between the marketing interface and small firm performance. It also adds to the marketing interface by focusing on the impact on small firm performance.

### **3.10 Conclusion**

It is clear that marketing is an important function in all organisations, small and large. However, the size of the firm and the resources available determine the approach a firm will take towards its marketing activities.

Although the marketing interface has been researched since the mid nineteen eighties, it is drawing considerable attention due to the fact that marketing theories developed in

earlier years for larger organisations are not regarded as best suited to the uniqueness of the small firm. Therefore this research will explore how the marketing interface is perceived in small and medium-sized enterprises within the Libyan tourism industry.

## **CHAPTER 4: LIBYA AND THE TOURISM INDUSTRY**



## **4.1 Libya (Country Profile)**

### **4.1.1 Introduction**

Before the discovery of oil in 1959, Libya was one of the World's poorest countries with an agricultural based economy. The country started exporting oil in the 1960s and in less than ten years became the fifth largest producer in OPEC, producing three million barrels a day. The discovery of oil created many jobs with an influx of people from rural areas desperate for work with the oil companies. The September 1969 revolution used oil revenues to develop the infrastructure which included housing, education, health care and public works such as water sanitation and roads. The first economic plan for the country was initiated in 1962 to cover a period of five years (1963-1968). A total budget of LD169 millions (US\$500 million) was allocated for all the sectors of the economy. By the end of the fifth year the allocation of funds for the plan reached LD625 millions (US\$1.700 million) (Ghanem, 1987). After the September Revolution in 1969, the Libyan government implemented a development programme, which was formulated within a comprehensive national planning framework. The primary aim of the development plan was the diversification of the Libyan economy to become less dependent on the oil sector. This aim was further reinforced by the fall in oil prices. The Libyan Central Bank (1984) reported in 1980 that the oil sector generated 65% of GDP, which made the sector the largest contributor to the Libyan economy. Although the oil sector is still the largest, there has been a decline as a result of the economy's growth in other sectors.

In 1995, the second most important sector of the economy was trade, restaurants and hotels representing 13.8% of GDP, followed by the building sector with 11.9% and the transport sector with 10.8% (Secretariat of Planning, 1981). The first three-year plan for social and economic development 1973-1975 was followed by the 1976-1980 plan for economic and social transformation. The total investment for these plans reached LD9.215 millions covering the different sectors of the economy. As a result, non-oil economic activities flourished with a growth rate of more than 10%, and the industrial sector grew by 21%, which was the result of a strategic aim to achieve a diversified economy (Secretariat of Planning, 1981). The investment programme reflected the low level of development and other problems:

- “Skill shortages in planning, contracting and supervision.
- Shortages of natural resources other than oil.
- A huge area of desert in the interior.
- Low population density.
- Inability of the Libyan economy to absorb large investments, particularly in industry and agriculture.” (Secretariat of Planning, 1981, Part 1, p 7).

After the assessment of previous plans, the second five year plan of socio-economic transformation 1981-1985 was approved with the aim of developing productive sectors for agriculture and industry through establishing new public organisations to assist in diversifying the investment programme, with a total budget of LD 16.894 millions (US\$55.000 million). Since then no development plan was adopted until 2000 when the government for the period 2001-2005 approved another five-year plan. The economy revived in 1999 due to the rise in oil prices. In 2000 oil revenues were estimated at US\$12 billion from US\$5.6 billion in 1998.

#### **4.1.2 Historical Background**

##### **4.1.2.1 The Ancient Period and beyond**

According to the Encyclopaedia of the Orient (2003) the oldest accounts of Libya date back to the first half of the last millennium BC. In the 6<sup>th</sup> Century BC the Phoenician ports of Libya were conquered by Carthage. The 5<sup>th</sup> Century BC witnessed the rise of the Garmantian Empire in the South of the country. In 107 BC the North West Coast was conquered by Rome, and came under the administration of the Africa Proconsularies which was administrated from Carthage (the region later was independent of Carthage under the name of Tripolitania). On the Eastern Coast Cyrenaica was conquered by Rome in 74 BC and in 455 AD Vandals took possession of Libya. In 643 Muslims conquered the north-eastern part of Libya (Barka) and the region became part of the Muslim Empire and four years later Tripolitania also became part of the same empire. In 1146 the Normans of Sicily conquered Tripolitania and Cyrenaica. In 1521 Barka was incorporated into the Ottoman Empire and thirty years later Tripolitania became a vassal state under the Empire. The year 1711 witnessed the rise of

the Karamanli dynasty as part of the Ottoman Empire. In 1842 the south-western part of the country known as Fezzan came under nominal Ottoman control. In 1843 Muhammad Ibn Ali Sanussiy, a religious leader chose Cyrenaica as his base and this was the beginning of the Sanussiy movement in Libya. 1911 was the year Italians invaded the country and in 1929 Tripolitania and Cyrenaica were united under Italian rule. In 1934 Italy adopted the name Libya (used by the Greeks for all of North Africa, except Egypt) as the colony's official name which added to the provinces of Tripolitania and Cyrenaica the province of Fezzan. In 1943 Britain and France divided Libya where Northeast and Northwest (Tripolitania and Cyrenaica) came under British control and Southwest (Fezzan) came under French control. In 1949 Cyrenaica became an independent emirate with Emir Sayyid Idris Sanussiy as leader.

#### **4.1.2.2 The first Independence Period (1949 and beyond)**

In 1949 the United Nations granted independence for a united Libya, to be realised within two years. The country became independent in 1951; its official name was the United Kingdom of Libya. Two years later Libya joined the Arab League, and in 1955 joined the United Nations. In 1956 concessions on oil extraction were granted to two American oil companies, and in 1961 oil exportation started and the country increased its share of oil profits from 50% to 70%.

#### **4.1.2.3 The 1969 Revolution and beyond**

On the 1<sup>st</sup> September 1969 the Libyan Revolution overthrew King Idris and declared the country's name as the Libyan Arab Republic, which ended the era of the United Kingdom of Libya. During the same year Libya took effective control over its banks obtaining 51% of the stocks, and a year later the government nationalised the oil industry as well as the Italian assets in the country. In 1977 the country's official name, as well as its political system, was changed; the name has become the Socialist People's Libyan Arab Jamahiriya (state of the masses). In 1978 the Government took initiatives that changed the economy into socialist structures and in 1987 the country took an unprecedented step towards its economic structure by liberalising the economy and loosening the socialist structures. A new union was declared in 1989, which has five

member states Libya, Tunisia, Mauritania, Morocco and Algeria as the Maghreb Union. Sanctions were imposed by the United Nations on Libya in 1992, in relation to the country's refusal to extradite two of its nationals charged with the bombing of an aeroplane in 1988. Sanctions were suspended in 1999 when Libya agreed to extradite the people accused by the British and US governments of being responsible for the aeroplane bombing, after an agreement between the parties involved to have the suspected appear in front of an international tribunal in the Netherlands. Following this, international flights to and from the country resumed.

#### **4.1.3 Geographical Background**

Libya is one of Africa's largest countries; situated in northern Africa, with a coastline of 1770 km in the north. It has borders with six countries, Egypt from the east, Sudan from the south-east, Chad and Niger from the south, Algeria from the west and Tunisia from the north-west (see Appendix 1). Libya covers a surface area of 1,775,500 km<sup>2</sup> (685,524 m<sup>2</sup>) approximately seven times the area of the United Kingdom. The official name of the country is the *Great Socialist People's Libyan Arab Jamahiriya*.

#### **4.1.4 The Climate**

The Libyan climate has been described as arid with different temperatures across the country. The principle factors in the climate are the Mediterranean Sea and the Sahara Desert. These factors have been influential in the distribution of the population and the location of productive development.

#### **4.1.5 The Population**

Country Watch (2003) estimated the country's population in July 2002 at 5,368,585 of which males accounted for 51% (2,758,729), and females represented 49% (2,609,856) of the total population. Non-nationals are estimated at 662,669 mainly from continental Africa (including North Africa) (see Table 4.1 below). According to the 1995 census of population only 38.5% of the population is economically active, (male being 60.5% economically active and female 15.3% active). There is an estimated 2 million children under the age of 15 years.

**Table 4.1: Libyan population by sex during the years 1964 – 2002.**

<i>Sex/Year</i>	<b>1964</b>	<b>1984</b>	<b>1995</b>	<b>2002</b>
<b>Male</b>	788.657	1,651.562	2,236.943	2,758.729
<b>Female</b>	726.844	1,579.497	2,168.043	2,609.856
<b>Total</b>	1,515.501	3,231.059	4,404.086	5,368.585 (including 662.669 non nationals)

#### 4.1.6 Libyan Society and Culture

Culture is not one of life's luxuries: it is life itself. "Culture" may be defined as "the integrated pattern of human knowledge, belief, and behaviour... language, ideas, beliefs, customs, taboos, codes, institutions, tools, techniques, works of art, rituals, ceremonies, and other related components..." (Encyclopaedia Britannica, 1989). The Concise Oxford Dictionary (2001) defines culture as "the customs, institutions, and achievements of a particular nation, people or group". Culture refers to a community's shared way of life, including shared values and symbols (Meek, in Anthony et al., 1992). Fleishman (1967) has stated that the importance of understanding culture lies in the important role it plays in shaping people's lives, and that it is a man-made part of his environment. Bates and Plog (1990) define culture as "the system of shared beliefs, values, customs, behaviours, and artefacts that the members of society use to cope with their World and with one another, and that are transmitted from generation to generation through learning" (Bates and Plog 1990, p 7). The family is the basic unit of Libyan society; it is a collection of families rather than individuals. Social relations are much tied to the family consideration and family obligations have priority over any other obligations (Lipsky, 1959). Libyan society has been influenced by Islamic religion and Arab culture which formed the Libyan culture more than eleven centuries ago.

## **4.1.7 Economic Structure and Development**

### **4.1.7.1 Phases of Economic Development**

During the last fifty years economic development in Libya has progressed through two major phases. These can be identified as follows:

#### **4.1.7.1.1 Phase one: Pre-oil period**

This period involved a continuous deficit in the budget and Commerce balance, a sharp decrease in personal earnings, and a high level of illiteracy. Agriculture and cattle grazing were the main source of living for most of the people. Industrial activities were mainly handicrafts and productivity was low in both agriculture and industry due to use of old techniques and primitive tools, There was scarcity of capital and limited savings, a below moderate service sector dependent on internal commercial activities and dependence on foreign aid.

#### **4.1.7.1.2 Phase two: After oil period**

This period can be divided into three stages as follows:

##### **A) Stage one 1961-1969**

With the discovery of oil in the late nineteen fifties and the beginning of exporting in the early nineteen sixties, the Libyan economy was characterised by the following:

- 1) A surplus in the Libyan commerce balance in the year 1963
- 2) Oil became the country's main source of income
- 3) Other sectors became dependent on oil as the major source of finance
- 4) The Libyan economy became more open to the international community
- 5) A huge increase in foreign trade, especially imports
- 6) Decrease in local produce due to imports of goods and the shift of labour to the service sector
- 7) Increase in the intervention of government in economic activities
- 8) A flourishing service sector connected to oil companies involving hotels and banking services
- 9) Increase in the level of spending which was not based on a real economic structure

10) Foreign dominance on most of the activities in the country

### **B) Stage two: 1969-1988**

This period started with the September revolution which resulted in the liberation of the economy in order for the country to become self sufficient. This in turn assisted the development of economic activities for the economy and to free it from foreign control and to use the income from oil to achieve continuous progress. Therefore this stage concentrated on the following:

- 1) Liberation of the economy from foreign control and making it a national economy through Libyanisation and then nationalisation of the financial and insurance sectors
- 2) More attention was paid to human resource development through technical training and scientific research
- 3) Execution of economic and social development plans that were aimed at the infrastructural level especially in health, education, accommodation, telecommunications and electricity
- 4) Concentration on productive economic projects in agriculture and industry
- 5) Decrease in the dependence on the oil sector and diversification of sources of national income to create an economic balance
- 6) Increase in personal income and increase in the level of living standards
- 7) To execute the largest project to transfer water in the area to overcome the problem of water scarcity in the country

### **C) Stage three: 1988-2000**

This stage was known for the encouragement by the government of public participation in managing and running economic activities. To achieve this a number of laws were passed to organise participation. These include:

#### **1- Law No. (8) 1988**

This law deals with economic activities, which allows in section one people by themselves or with partners to practice economic activities in agricultural, grazing,

industry, other crafts and professions, distribution of goods, to perform services or any other economic activities needed by society, with the intention of raising the productivity of the community without exploitation of others.

## **2- Law No. (9) 1992**

This law states that economic activities in popular society are based on partnership and collective ownership and people's socialism and on the basis of efforts made individually or collectively. Partnership may take the form of financial, knowledge efforts or both. It also states the ways in which the activities can be performed. These are private companies, public companies and corporations, partnership companies and family businesses.

### **4.1.8 Foreign Investment**

According to Countrywatch.com (2002) Libya has been trying to encourage foreign investment to develop certain regions and sectors, which are reported as underdeveloped. This was brought about to diversify the economy, improve technology and strengthen the internal market. In 1997, the Authority for the Encouragement of Foreign Investment (AEFI) was established and Law No. (5) (1997) for Encouragement of Foreign Investment of Foreign Capitals was passed. AEFI was established as declared in Article 5, to assist foreign investors and to process foreign investors' applications. According to Article 8 of the Law, foreign investment is allowed in the fields of industry, health, tourism, services and agriculture. To further encourage foreign investment, the Law grants foreign investors exemption from duties on all capital equipment, parts, and raw materials; a tax holiday for five years, with a possible three year extension; exemption from tax and fees for all exported commodities. Investments in regional development are granted additional exemptions.

Law No. 5 (1997) was passed to encourage foreign investment in sectors like oil, electricity, manufacturing, transport and tourism. The law stated the investor's rights and responsibilities as follows:

- The investor's rights:



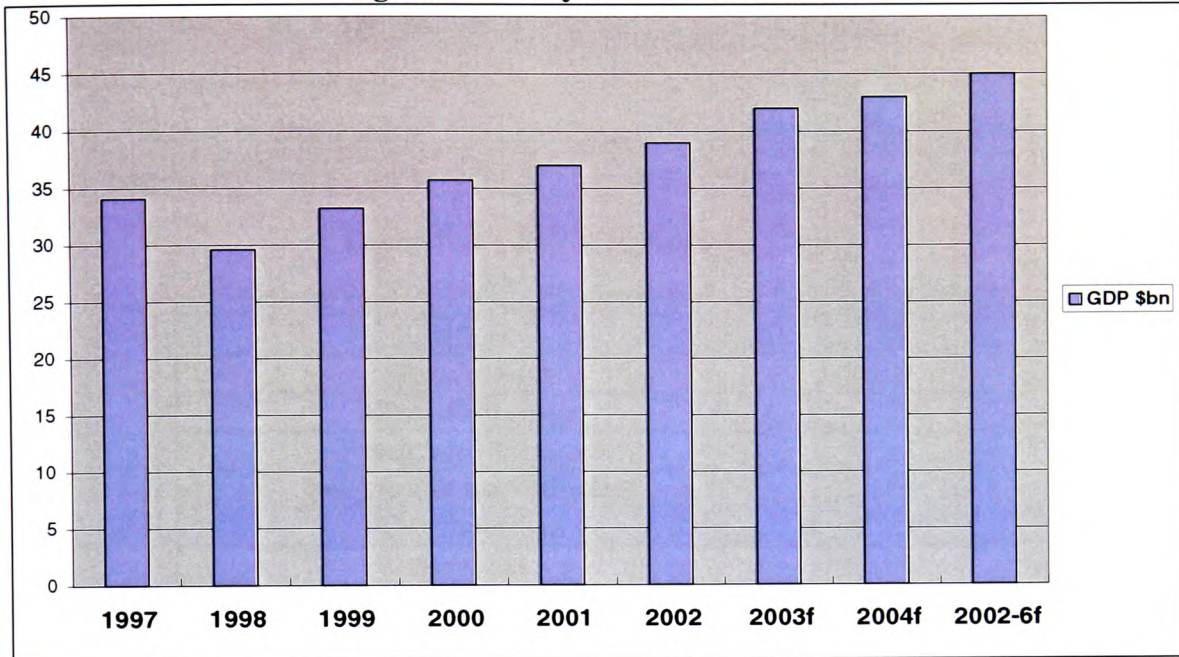
- “The right to re-export capital
  - The right to transfer financial capital overseas after 6 months from it being brought to the country if obstacles arise to prevent the administering of the proposed investment project
  - The right to transfer all profits and interest gained from the project
  - The right to employ foreign workers when nationals are not available
  - The right to import all needs of a project from another country
  - Exemption on government tax, excise duty and all related taxes on all imported materials for a project
  - The right to export goods produced
  - Exemption on production tax and all export related taxes on all exported goods
  - The right to expand a project or to amend some of its activities
  - The right to open a bank account in one of the country’s commercial banks in any currency
  - The right to own land and property to use or to lease
  - Exemption from income tax for five years
- The investor’s responsibilities:
- To execute a project according to the agreement
  - To start a project within six months from approval and notification
  - Priority for the national labour force who have the qualifications and experience required by the project
  - To provide a quarterly report on the progress of the project. The government has the right to inspect the project and to audit financial reports
  - To have separate accounts for the project
  - To prepare an annual budget and profit and loss account and have them approved by a registered auditor” (Law No. 5, 1997)

#### **4.1.9 Characteristics of the Libyan Economy**

Petroleum dominates the country's economy and oil and petroleum products account for 30-40% of GDP and more than 90% of exports. In 1999 Libya was ranked 70 out of 191 countries in terms of GDP. The decline in oil prices in the 1980's had a negative effect on the country's oil dependent economy and by 1985 oil revenues had fallen to the lowest level since the OPEC price shock in 1973 (Library of Congress, 2001). Non-oil manufacturing and construction sectors account for about 20% of GDP. This sector has expanded from processing agricultural products to the production of petrochemicals, iron, steel and aluminium (CIA-The World Fact book, 2002).

The United Nations sanctions imposed on Libya in 1992 resulted in the downturn of the Libyan economy. The economy has lost a total of US\$24bn in potential oil revenues during the eight year sanctions, which was further affected by the decrease in oil prices by almost a third in the second half of the 1990's. This led to a negative GDP growth of -1.2% (US\$34.1bn) in 1997. The rise of oil prices at the end of 1999 was of great significance to the country. Libyan GDP growth has shown a stronger trend compared to World GDP and OPEC countries. In 1998 World growth was 2.9% which is exactly the same as Libya, whereas OPEC figures show -2.9%. In 2004 the forecasted World figure was 3.5% and the OPEC figure of 3.8% were both below that forecasted for Libya of about 4.5% for the same year (World Market Analysis, 2002). GDP showed an upward trend from 2.8% (US\$29.6bn) in 1998 to 5% (US\$35.7bn) in 2001 with a slight decrease reaching 2.6% (US\$33.2bn) in 1999. It is forecasted that GDP will follow a moderate downturn from 5% in 2003 to 3.7% in the years up to 2006 to reach US\$45bn (World Markets Analysis, 2002) see Figures 4.1 and 4.2 below.

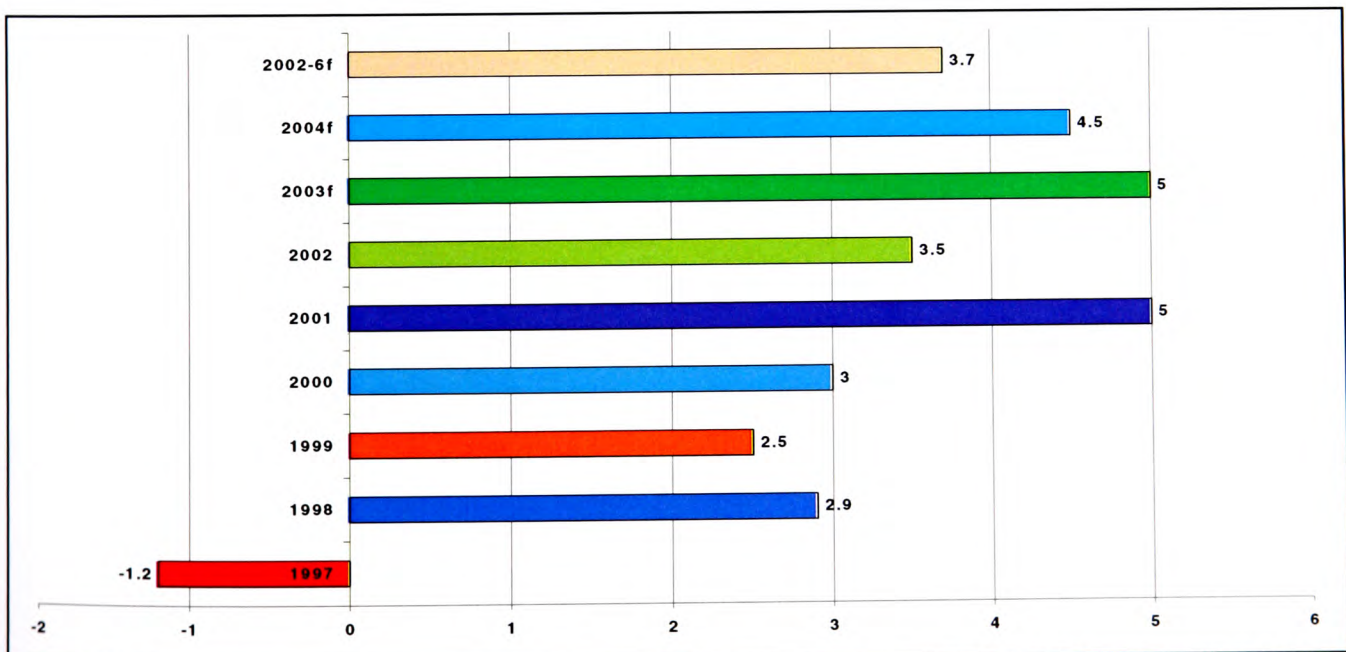
**Figure 4.1: Libyan GDP in US\$BN**



Key: f = forecast

Source: World Market Analysis (2002)

**Figure 4.2: GDP Growth % (1997-2005)**



Key: f = forecast

Source: World Market Analysis (2002)

Table 4.2 shows the economic sectors within the Libyan economy and their contribution towards GDP. Petroleum, mining and services are the largest contributors to GDP with almost two thirds of GDP provided by them. These figures are provided by the government official sources, and the World Bank statistics show that 85% of the country's GDP is contributed by the petroleum and mining sector (Canadian Embassy in Tunisia, 2001).

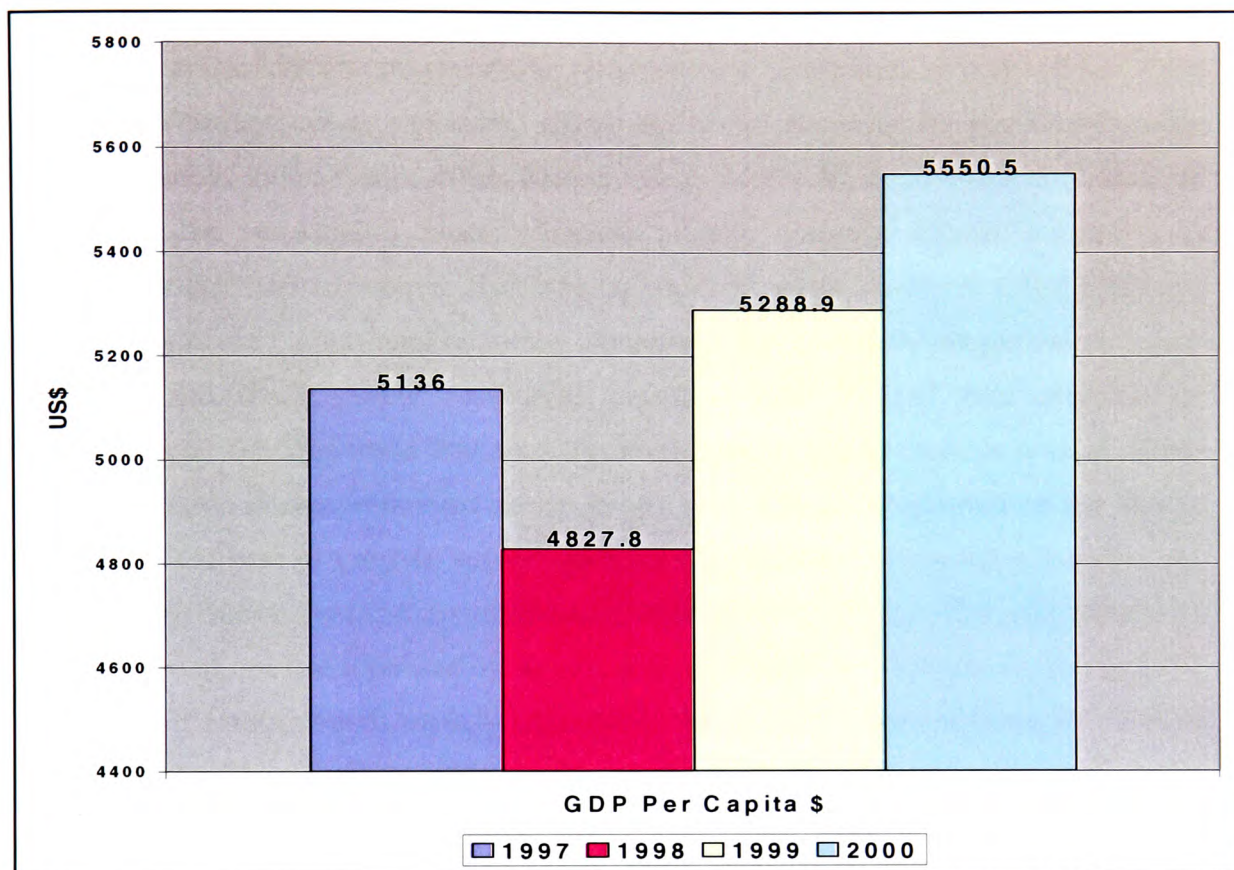
**Table 4.2: GDP Structure by Sector**

<b>Sector</b>	<b>%</b>
<b>Agriculture</b>	<b>5.6</b>
<b>Manufacturing</b>	<b>10</b>
<b>Trade and Finance</b>	<b>11</b>
<b>Petroleum and Mining</b>	<b>30</b>
<b>Construction</b>	<b>13</b>
<b>Services</b>	<b>30</b>

Source: Canadian Embassy in Tunisia Website

Libyan GDP per capita is one of the highest among African countries. It decreased in 1998 due to the facts mentioned above, but soon started to pick up to reach a high level of \$5,550.5 in 2000 and is expected to rise for the years that follow, especially after the lifting of UN sanctions (Figure 4.3).

**Figure 4.3: GDP per Capita US\$**



Source: World Market Analysis (2002)

## **4.2 The Tourism Industry**

### **4.2.1 Introduction**

As the World's largest industry (Nelson, 1993), earning approximately \$US2.5 trillion annually (Dearden, 1993), tourism has the potential to be a primary force of influence on the planet. Tourism, as an unstable, cyclic industry, depends on World economic stability (Olwing, 1980; Dann, 1992; Smith, 1991), but is likely to show considerable growth into the foreseeable future (Whelan, 1991). Tourism clearly counts as a remarkable social and economic phenomenon. Indeed, it has become a fully-fledged industry contributing significantly to the economic and social development of many countries in the World. Many developing countries have focused their attention on developing their tourism trade and tourism-related industries as well as strengthening their co-operation in this important sector. Every year a larger proportion of the World population takes part in tourism activity and for the majority of countries tourism has developed into one of the most dynamic and fastest growing sectors. The past century of tourism has been marked foremost by its tremendous expansion: between 1959 and 2000 the number of international arrivals has shown an evolution from a mere 25 million arrivals to 699 million, corresponding to an average annual growth rate of 7 percent.

The development of modern day tourism is also characterised by its ongoing geographical spread. Numerous countries have been successful, not only in attracting significant numbers of tourists, but also in turning tourism into a source of wealth. A notable diversification in tourism destinations has taken place, with those of Asia, North Africa, Latin America and the Caribbean being the emerging destinations. Travel and tourism generated US \$4,494.5 billion of economic activity (total demand) in 2001, and is expected to grow to US \$9,285.9 billion by 2011 (World Travel and Tourism Council, 2002). In fact, the economic activity of travel and tourism is expected to grow by 4.0% per annum, in real terms, between 2001 and 2011 (World Travel and Tourism Council, 2002). Also, the travel and tourism industry is expected to contribute 4.2% to gross domestic product (GDP) in 2001 (US \$1,381.5 billion), rising to US \$2,654.4 billion (4.2% of the total) by 2011 (World Travel and Tourism Council, 2002). The travel and

tourism economy contribution should grow from 10.7% (US \$3,497.1 billion) to 11% (US \$6,958.3 billion) in the same period (World Travel and Tourism Council, 2002).

In 2001, the tourism and travel economy employment was estimated at 207.1 million jobs or 8.2% of total employment, which is 1 in every 12.2 jobs. By 2011, this should grow to 260.4 million jobs, 9.0% of total employment or 1 in every 11.1 jobs (World Travel and Tourism Council, 2002). Additionally, travel and tourism was expected to generate 12.9% of total exports (US \$1,063.8 billion) in 2001, growing to US \$2,583.3 billion (12.5% of the total) in 2011 (World Travel and Tourism Council, 2002). Also, capital investment was estimated at US \$656.7 billion or 9.0% of total investment in the year 2001. By 2011, this should reach US \$1,434.0 billion or 9.3% of the total (World Tourism Organisation, 1997). The World Tourism Organisation's Tourism 2020 Vision forecasts that international arrivals are expected to reach over 1.56 billion by the year 2020. Of these World-wide arrivals in 2020, 1.18 billion will be intra-regional and 377 million will be long-haul travellers. Tourist arrivals by region show that by 2020 the top three receiving regions will be Europe (717 million tourists), East Asia and the Pacific (397 million) and America (282 million), followed by Africa, the Middle East and South Asia (World Tourism Organisation, 1997).

#### **4.2.2 General definition**

No one definition of tourism has gained universal acceptance. However, Lowry (1994) believes that tourism is a service industry that takes care of visitors when they are away from home. Some restrict the definition of tourism by number of miles away from home, overnight stays in paid accommodations, or travel for the purpose of pleasure or leisure. Others think that travel and tourism should not even be referred to as an industry. Hunt and Layne (1991) acknowledge the problems of defining travel and tourism. They say that travel was the most accepted term until 1987 and that since that time tourism is the accepted term used to "singularly describe the activity of people taking trips away from home and the industry which has developed in response to this activity" (Hunt and Layne, 1991, p. 11). Other experts, such as Gunn (1994) believe that tourism "encompasses all travel with the exception of commuting" (Gunn, 1994, p. 4) and that it



is more than just a service industry. McIntosh and Goeldner (1986) say that "tourism can be defined as the science, art, and business of attracting and transporting visitors, accommodating them, and graciously catering to their needs and wants". They also introduce the notion that tourism is interactive in that they believe that "tourism may be defined as the sum of the phenomena and relationships arising from the interaction of tourists, business suppliers, host governments, and host communities in the process of attracting and hosting these tourists and other visitors (McIntosh and Goeldner, 1986, p. 4). D'Amore (1987), Taylor (1988) and Dann (1988) say that tourism is not only an interactive process but also a vehicle for World peace.

Graburn and Nash illuminate the dual nature of tourism. Graburn (1989, pp. 22-36) speaks of tourism as the "sacred journey" in Western culture - a time of great expectations and disappointments and a way to define what it means to live a life. Nash (1989, pp. 37-52), on the other hand, views tourism as a "form of imperialism" - a dichotomy of have and have nots with lesser developed countries serving the pleasures of the more developed countries. Shames and Glover (1989) combine this duality by positing the notion that the "service experience" of tourism is a "social experience: and as such involves "human interaction" whose "nature or form is determined by the culture or cultures of the interacting individuals" (Shames and Glover, 1989, p. 2). The evolved definition of Smith and Eadington (1992) simply states that "tourism is in fact a significant social institution" (Smith and Eadington, 1992, p. xiii).

Wahab (1971) defines tourism as follows:

*"Tourism is a purposeful human activity that serves as a link between people either within one same country or beyond the geographic limits of states. It involves the temporary displacement of people to another region, country, or continent for the satisfaction of varied needs other than exercising a remunerated function. For the country concerned, tourism is an industry whose 'products' are consumed on the spot forming invisible exports. The benefits accruing therefrom can be witnessed in the economic, cultural and social life of its community". (Wahab, 1971)*



Since the beginning of the 1980s the World Tourism Organisation (WTO) has directed its research and other work on tourism information towards integrating tourism into the general definitions and classifications of socio-economic statistics, particularly within SNA93 and BP-93. This long process has been marked in particular by the adoption by the United Nations Statistical Commission (UNSC) of the following international standards on tourism statistics:

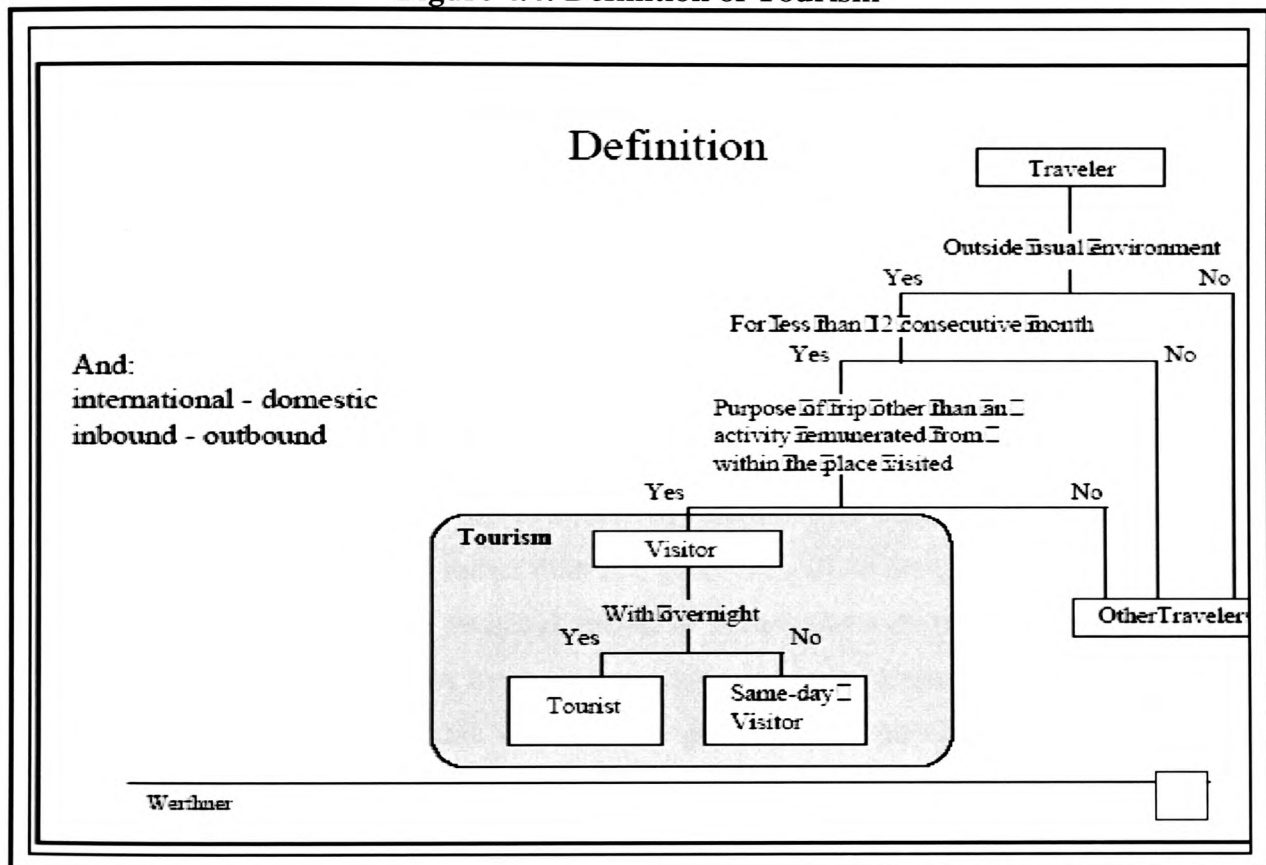
- in 1978 “*provisional guidelines on international tourism statistics*”, at the proposal of WTO;
- in 1993, as a result of the Ottawa Conference of 1991 and at WTO’s proposal, standard tourism definitions and classifications together with the Standard International Classification of Tourism Activities (SICTA), published in 1994 by the United Nations and WTO under the title “*Recommendations on Tourism Statistics*” (REC93); and
- in March 2000, as the joint proposal of WTO, OECD and EUROSTAT, the *common methodological framework* of the TSA was approved and is shortly to be published under the title “*Tourism Satellite Account: recommended methodological framework*” (TSA:RMF) (REC00).

The World Tourism Organisation (2001) refers to tourism as the business that comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited. Tourism is different from travel. In order for tourism to happen, there must be a displacement: an individual has to travel, using any type of means of transportation (he might even travel on foot: nowadays, it is often the case for poorer societies, and happens even in more developed ones, and concerns pilgrims, hikers ...). But all travel is not tourism. Tourism is now widely recognised as the World's largest industry and its

growth is creating rapid social, economic and environmental changes which require detailed understanding and measures to manage it.

At a global scale, World tourism arrivals were estimated to have reached 698.3 million in 2001, and World tourism grew by an estimated 7.4 percent - its highest growth rate in nearly a decade and almost double the increase of 1999 (Werthner, 2002). This is illustrated in Figure 4.4 below.

**Figure 4.4: Definition of Tourism**



Source: Werthner (2002)

### 4.2.3 International Tourism

While industries such as the petroleum industry and the automobile industry have evoked a host of research projects by economists, one may wonder why an industry comparable in size, the tourism industry, has failed to attract any attention from mainstream economists. A glimpse at some summary figures for this industry reveals a

striking picture of its size and growth. According to the World Tourism Organisation (henceforth WTO, which should not be confused with the World Trade Organisation), in 1980 countries' receipts from international tourism were 287 billion dollars and in 1995 they were 564 billion dollars. By 2000 they reached 702 billion dollars, and for the year 2010 they are expected to surpass the one trillion dollar mark. But even these numbers do not reveal the importance of this industry. Consider the following facts. International tourism is the World's largest export earner. Foreign currency receipts from international tourism reached 423 billion dollars in 1996, more than petroleum products, motor vehicles, telecommunication equipment, and textiles (World Tourism Organisation, 1997a). Moreover, it is a labour-intensive industry, employing an estimated 100 million people around the World (World Tourism Organisation, 1997a). Tourism has an important role in stimulating investments in new infrastructure, as well as in generating government revenues through various taxes and fees. Acknowledging these facts and the evidence that tourism comprises a huge portion of GNP in many developing and small countries makes clear the profound importance of tourism for development. Finally, but not least important, one cannot overlook the role of international tourism in promoting World peace, both by providing an incentive for peacekeeping and by building "a bridge between cultures".

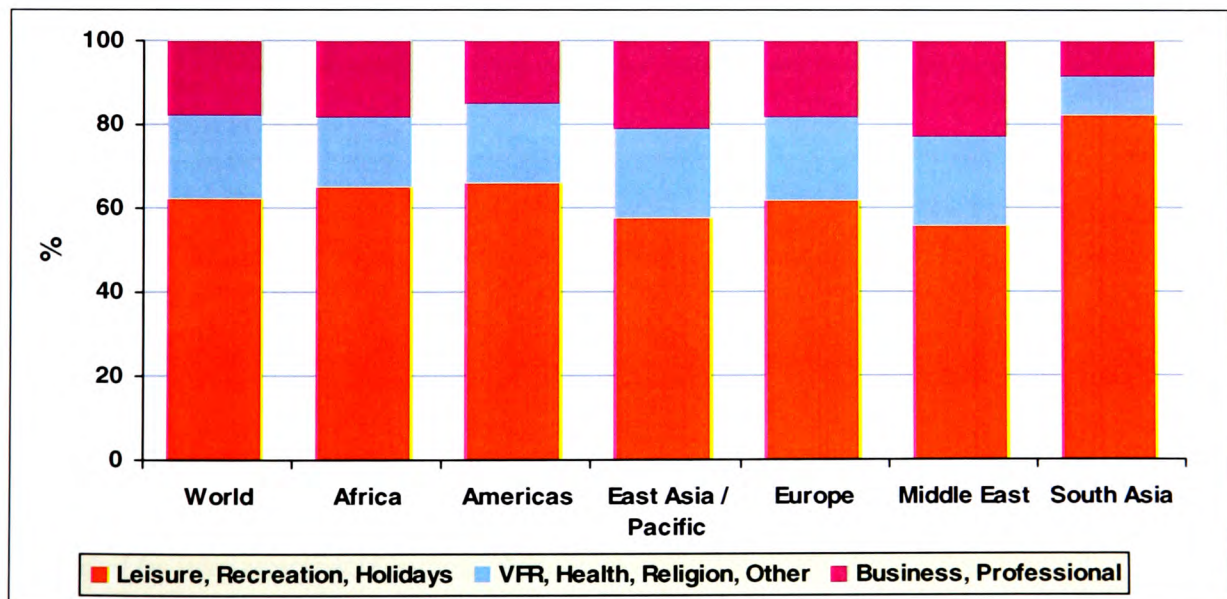
Even though international tourism is a form of international trade it may be better dealt within a single industry study rather than in a general equilibrium trade model. The latter may be inadequate to capture its peculiarities, as is the case with trade in other services. The fact that tourism amounts to almost ten percent of all international trade suggests that better understanding of this industry can promote our empirical understanding in various fields such as international trade, international finance, growth, and development. In this thesis a first step in this direction is made by viewing the World as a market of differentiated products and employing a discrete choice estimation.

International tourism is a fast growing industry generating 700 billion dollars in annual revenues, accounting for almost ten percent of total international trade and almost half of total trade in services (World Tourism Organisation, 1997a). Yet, it has so far failed to receive the attention it deserves from mainstream economics. The research into Libyan tourism SMEs attempts to start filling this gap by providing a first understanding of the

determinants of international tourism. It appears that international tourism, as other forms of trade in services, is driven by unique factors of production. In order to understand these determinants the World is viewed as a market of differentiated products and a discrete choice estimation technique is employed to a large three-dimensional dataset of tourist flows. It is shown that a relatively simple estimation technique, combined with a rich data set, can deliver reasonable substitution patterns. Among other things, political risk is found to be very important for tourism, and exchange rates matter mainly for tourism to developed countries. These have an exchange rate elasticity of about one (JEL: C13, C23, F14, L83) (Eilat and Einav, 2003).

Handszuh (2001) argues that international tourism is seen as an important generator of foreign exchange earnings (Figure 4.5 and Tables 4.3 and 4.4), where tourism has been found to be one of the top 5 export categories for as many as 83% of countries in the World and as a main source of foreign exchange earnings for at least 38% of countries. In developing countries tourism contributes up to 40% of GDP.

**Figure 4.5: International tourism by purpose of visit, 1998**



Source: Handszuh, 2001

**Table 4.3: World Trade in Goods and Services**

<b>WORLD, 1999. BALANCE OF PAYMENTS, GOODS AND SERVICES CREDIT</b>			
	<b>US\$ billion</b>	<b>%</b>	
<b>Total</b>	<b>6,975</b>	<b>100</b>	<b>-</b>
<b>Merchandise exports</b>	<b>5,625</b>	<b>80.6</b>	<b>-</b>
<b>Commercial services</b>	<b>1,350</b>	<b>19.4</b>	<b>100</b>
<b>International tourism</b>	<b>548</b>	<b>7.9</b>	<b>40.6</b>
<b>Travel services</b>	<b>455</b>	<b>6.5</b>	<b>33.7</b>
<b>Passenger transportation services</b>	<b>93</b>	<b>1.3</b>	<b>6.9</b>

Source: Handszuh, 2001

**Table 4.4: Developing Economies Trade in Goods and Services**

<b>DEVELOPING ECONOMIES, 1999. BALANCE OF PAYMENTS, GOODS AND SERVICES CREDIT</b>			
	<b>US\$ billion</b>	<b>%</b>	
<b>Total</b>	<b>1,282</b>	<b>100</b>	<b>-</b>
<b>Merchandise exports</b>	<b>1,084</b>	<b>84.6</b>	<b>-</b>
<b>Commercial services</b>	<b>198</b>	<b>15.4</b>	<b>100</b>
<b>International tourism</b>	<b>131</b>	<b>10.1</b>	<b>65.7</b>
<b>Travel services</b>	<b>112</b>	<b>8.8</b>	<b>56.8</b>
<b>Passenger transportation services</b>	<b>18</b>	<b>1.4</b>	<b>9.0</b>

Source: Handszuh, 2001

International Tourism (IT), based on the definition of “international visitor”, has been traditionally described in monetary terms as *“the consumption by non-resident visitors, within the economic territory of the country of reference, of goods and services provided by residents (inbound tourism consumption) and the consumption by resident visitors, outside the economic territory of the country of reference, of goods and services provided by non-residents (outbound tourism consumption)”* (Quevedo, 2001).

Because of the importance that tourism - international in particular - has assumed in the national economies of a great many developed and developing countries, it is essential to

make a credible assessment of both the volume of IT (inbound and outbound) and its impact on the balance of payments and on national and global economies. A review of the situation from available statistical information on IT has however revealed the pressing need to improve, expand and integrate it with that of the other economic activities within the framework of reference (in common statistical language) of the System of National Accounts (SCN93) and the Balance of Payments (BP-93).

For statistical purposes, the term “international visitor” describes “any person travelling to a country other than in which he/she has his/her usual residence but outside his/her usual environment for a period not exceeding twelve months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country visited” (REC93, paragraph 29).

#### **4.2.4 Economic impact of tourism**

The World Travel and Tourism Council (WTTC) (2002) has estimated that tourism was expected to generate US\$4,544.2 billion of economic activity (total demand) in 2003. The industry’s direct impact shows that the tourism industry is providing more than 67,441,100 jobs which represent 2.6% of total employment Worldwide, and is also generating US\$1,280.4 billions of Gross Domestic Product (GDP) equivalent to 3.7% of total GDP. However, the WTTC argues that tourism is interrelated to all sectors of the economy which results in the impact of the industry being even greater. The WTTC explains that the Travel and Tourism industry’s direct and indirect impact on the economy accounts for the following:

- “194,562,200 jobs representing 7.6% of total employment;
- US\$3,526.9 billion of GDP equivalent to 10.2% of total GDP;
- US\$1,009.9 billion of exports, services and merchandise equivalent to 11.2% of total exports;
- US\$686.0 billion of capital investment equivalent to 9.6% of total investment;
- US\$224.1 billion of government expenditures or 3.9% share.” (WTTC, 2004)

Corsten (1998) states that tourism is a complex of services and products, provided to meet consumer, business and public sector demand for domestic and foreign travel. It is largely decentralised and woven into the economy due to the mobility and variety of

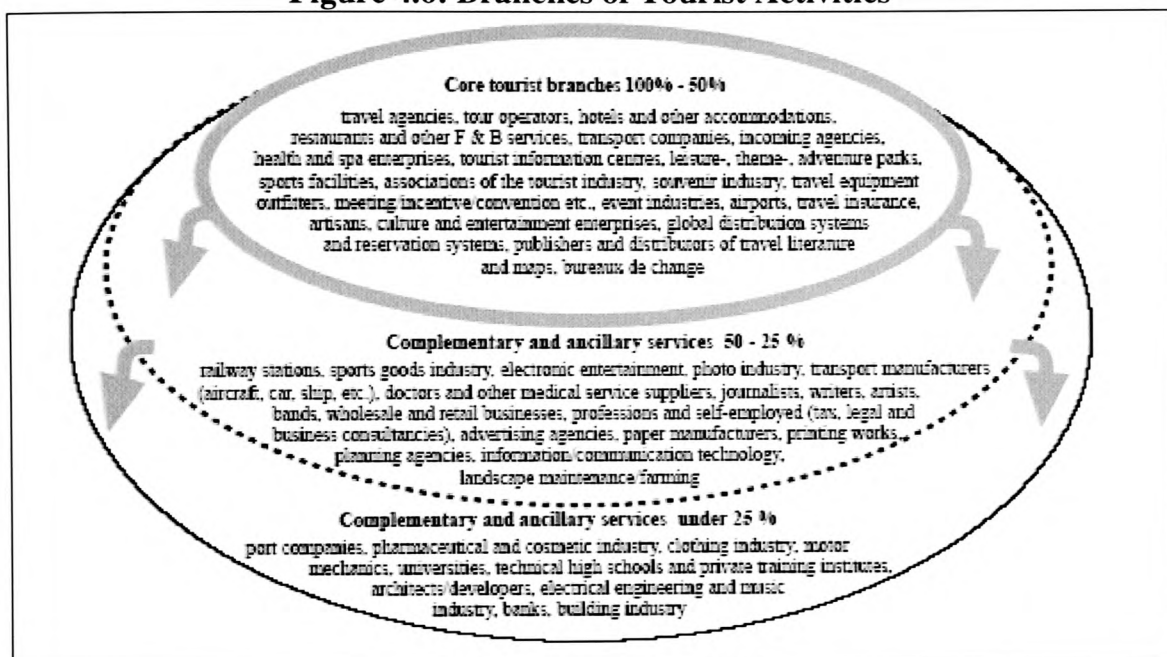
tourists' needs, and because tourism-related products and services are bought before, during and occasionally after the journey. Recent analysis and new impact models provide an indication of the turnover rate generated on average by consumption of tourists in relevant branches. The establishment of satellite accounts for tourism, built on a rigorous and widely acknowledged methodology which reflect both public and private sector needs, would ensure the availability of comprehensive and reliable information on the impact of tourism activities, including projections and forecasts. Three branches of tourist activities are identified and shown in the model (Corsten, 1998) below, which include the following:

- Core tourist branches 50% - 100%
  - o Travel agencies, tour operators, hotels and accommodations, restaurants and other bed and breakfast services, transport companies, incoming agencies, health and spa enterprises, tourist information centres, leisure-, theme-, adventure parks, sports facilities, associations of the tourist industry, souvenir industry, travel equipment outfitters, meeting/incentive/convention etc., event industries, airports, travel insurance, artisans, culture and entertainment enterprises, global distribution systems and reservation systems, publishers and distributors of travel literature and maps, bureaux de change.
- Complementary and ancillary service 25% – 50%
  - o Railway stations, sports goods industry, electronic entertainment, photo industry, transport manufacturers (aircraft, car, ship, etc..) doctors and other medical service suppliers, journalists, writers, artists, bands, wholesale and retail businesses, professions and self-employed (tax, legal and business consultancies), advertising agencies paper manufacturers, printing works, planning agencies, information communication technology, landscape maintenance/farming.
- Complementary and ancillary service under 25%

- Port companies, pharmaceuticals and cosmetic industry, clothing industry, motor mechanics, universities, technical high schools and private training institutes, architects/developers, electrical engineering and music industry, banks, building industry.

Figure 4.6 below shows how each of the three services integrates.

**Figure 4.6: Branches of Tourist Activities**



Source: Corsten, (1998)

#### 4.2.5 Economic contributions of international tourism

The World Travel and Tourism Council (2000) have put forward comparisons of tourism in 1997 and 2007 which show an increase of more than 50% in all comparisons.

Table 4.5 below shows the contributions of the industry.

**Table 4.5: Comparison of Travel and Tourism contributions 1997 – 2007**

CATEGORY	YEAR	1997	2007	GROWTH %
Jobs		262 million	383 million	68.4 %
GDP		3.3 trillion US\$	6.3 trillion US\$	52.38 %
Investment		801 billion US\$	1.5 billion US\$	53.4 %
Taxes		716 billion US\$	1.3 billion US\$	55.07 %

Source: WTTC, 2000



#### **4.2.6 Major Determinants and Influences (WTO)**

The World Tourism Organisation (1997b) in its Executive Summary has identified the major determinants and influences on international tourism activity, covering the period 1995-2020; and these are as follows:

- “Economic
  - Continued moderate-to-good rates of global economic growth;
  - Above average economic performance of the Asian tiger economies;
  - Emerging importance of new tiger economies (i.e. China, India, Brazil, Russia);
  - Widening the gap between rich-poor countries.
- Technology
  - Information technology development
  - Transport technology advances
- Political
  - Removal of barriers to international travel
  - Transport and other forms of de-regulation
- Demographic
  - Ageing population and contracting workforces in industrialised countries leading to more South to North migration;
  - Erosion of the traditional Western household.
- Globalisation
  - Growing power of international economic and market forces and consequent reduced control of individual states and non-global corporations.
- Localisation
  - Conflict in developing countries between identity and modernity;

- Demand from groups defined by ethnicity, religion and social structures to be recognised in their own right.
- Socio-Environmental Awareness
  - Boosted public awareness of socio-cultural and environmental issues;
  - Greater media reporting on major global problems (e.g. reducing water supplies).
- Living and Working Environments
  - Growing urban congestion both in the industrialised and (especially) developing Worlds.
- Change from “Service” to “Experience” Economy
  - Focus switching to delivering unique experiences that personally engage the consumer.
- Marketing
  - Use of electronic technology to identify and communicate with market segments and niches.
- Safety of Travel
  - Tourism will not flourish to destinations in civil turmoil, at war, or where tourists’ health or security is perceived to be under threat.” (WTO, 1997)

## **4.2.7 Characteristics of the tourism industry**

### **4.2.7.1 Characteristics**

The characteristics of the tourism industry show that the service - the tourism product is consumed at the time it is produced. The product is based on social interaction between the supplier and the consumer, where the quality of the product is mainly defined by this interaction. Tourism is labour intensive, which will increase the costs of tourism services in the long-term, at least compared to the other areas of the economy. It is very sensitive

to changes in private household incomes. It is in direct competition to other products in the household income basket such as books, newspapers, entertainment, but also electronic products. Tourism is an umbrella industry - containing a set of inter-related businesses, involving travel companies, accommodation facilities, catering enterprises, tour operators, travel agents, providers of recreation and leisure facilities. It is an important vehicle for regional and national development planning and strategies - also in industrialised countries. This is due to its job creation potential and the rather low entrance barriers compared to other industries. Tourism activities can be designed in such a way, that it respects environmental, social and cultural constraints.

Furthermore, Burkat and Medlik (1981) identify five main characteristics of tourism; these are:

- 1- "Tourism arises from a movement of people to, and their stay in, various destinations.
  - 2- There are two elements in all tourism: the journey to the destination and the stay including activities at the destination.
  - 3- The journey and the stay takes place outside the normal place of residence and work, so that tourism gives rise to activities which are distinct from those of the resident and working populations of the places, through which tourists travel and at which they stay.
  - 4- The movement of destinations is of a temporary, short-term character, with intention to return within a few days, weeks or months.
  - 5- Destinations are visited for purposes other than taking up permanent residence or employment remunerated from within the places visited."
- (Burkat and Mrdlik, 1981)

It is also recognised that tourism has many general characteristics which can be identified. Tourism is a multi-dimensional phenomenon; many and varied activities each make their own separate and individual contribution to a comprehensive service to tourists. However, these activities though separate, are interdependent. Such interdependence implies a need for co-operative effort and common policies, but the

diversity and small size of many units make the formulation of any national plan by voluntary means impracticable and therefore uneconomic (English Tourist Board, 1971). Nevertheless, some measure of co-operation and co-ordination has been achieved between tourist centres, hoteliers and tour operators. The industry is marked by a widely differing economic performance; as tourism is dependent on other activities a situation can arise “where weak links in the chain of services and activities adversely affect the progress of otherwise healthy sectors of the industry” (English Tourist Board, 1971). The tourism industry is a service industry and a large proportion of those actively engaged find employment in tertiary occupations like catering and transport. The industry is also marked by a seasonal rhythm: in Libya the tourist season starts in late September and ends early April. This means that casual work and seasonal unemployment are often distinguishing features of the industry. The industry is essentially a dynamic one (Robinson, 1979). It is dominated by the changing ideas and attitudes of its customers and must be prepared to show a much greater degree of sensitivity and willingness to adjust to new conditions than it has in previous years.

#### **4.2.7.2 Characteristic Activities:**

Tourism Characteristic Activities (TCAs) can be identified as those productive activities which as a principal output is a characteristic of tourism. The TCA defines tourism industries as all establishments whose principal productive activity is a tourism characteristic activity. The following list reveals the similarity between the 12 items of the provisional list used in the Tourism Satellite Account (TSA) tables (TSA/TCA) and their corresponding codes in the International Standards Industrial Classification (ISIC) of all economic activities (United Nations Development Programme, 2001).

#### **4.2.7.3 List of tourism characteristic activities:**

The list of tourism characteristic activities appropriate to Libya are:

- 1 – Hotels and similar
- 2 – Second home ownership (imputed)
- 3 – Restaurants and similar
- 4 – Railway passenger transport services

- 5 – Road passenger transport services
- 6 – Water passenger transport services
- 7 – Air passenger transport services
- 8 – Transport supporting services
- 9 – Transport equipment rental
- 10 – Travel agencies and similar
- 11 – Cultural services
- 12 – Sporting and other recreational services.

These are varying activities and services linked to tourism.

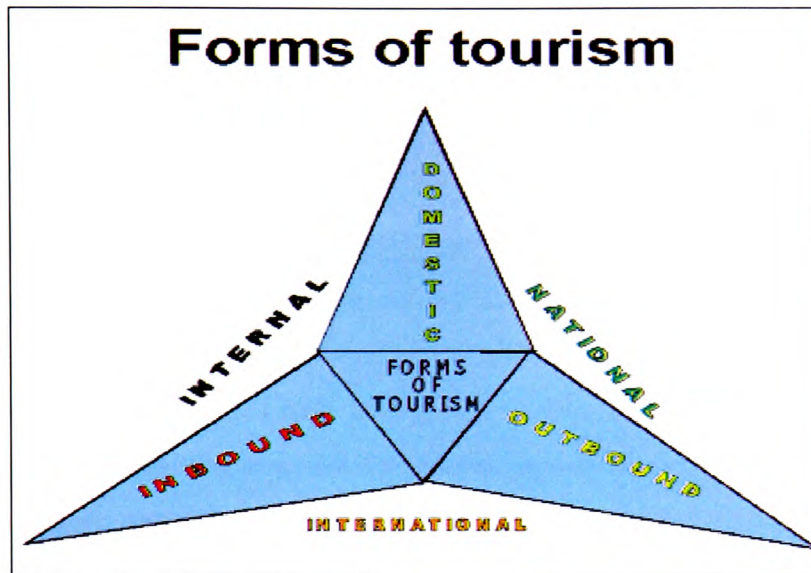
#### **4.2.8 Forms of tourism** (World Tourism Organisation, 2000a)

Tourism is concerned with the displacement of persons within certain conditions. These trips always take the visitors outside their usual environment, but might take them also outside their country of residence into another economy. In economic terms, countries are usually interested in looking separately at whether those effects occur within their own country or other economies. This issue is particularly relevant in the case of tourism which by nature supposes that individuals displace from one place to another. In order to make this analysis possible, it has been necessary to develop concepts which associate tourism and its activities with the residence of the individual taking the trip, that is, developing his/her tourism activities, and the place where these activities occur. A series of definitions relating to what are called the “forms of tourism” are as follows:

- “Domestic tourism: is the tourism of resident visitors within the economic territory of the country of reference.
- Inbound tourism: is the tourism of non-resident visitors within the economic territory of the country of reference.
- Outbound tourism: is the tourism of resident visitors outside the economic territory of the country of reference.
- Internal tourism: is the tourism, of both resident and non-resident visitors, within the economic territory of the country of reference.
- National tourism: is the tourism of resident visitors, within and outside the economic territory of the country of reference.” (WTO, 1997)

Further to this Figure 4.7 shows the forms of tourism applicable to Libya.

**Figure 4.7: Forms of Tourism**



Source: WTO, 1997

Figure 4.7 is an illustration of the relationships which exist between the different forms of tourism. These are internal tourism which is the sum of domestic tourism and of inbound tourism, national tourism which is the sum of domestic tourism and outbound tourism, international tourism which is the sum of outbound tourism and of inbound tourism.

### 4.3 Libyan Tourism

#### 4.3.1 Introduction

The World Tourism Organisation's (1997a) Tourism 2020 Vision forecasts that international arrivals are expected to reach over 1.56 billion by the year 2020. Of these World-wide arrivals in 2020, 1.18 billion will be intraregional and 377 million will be long-haul travellers. Tourism is undoubtedly a key factor of economic development, particularly from the standpoint of investment and job creation. It also paves the way for exchanges between nations, thus contributing to the creation of a climate of mutual tolerance and respect. The growth of the tourism industry promises to be quite spectacular. According to the WTO's forecasting studies, the number of international

tourists will increase from 698 million to 1.6 billion by 2020. Expenditure will more than triple in volume to \$US 2 trillion and the leisure market will see substantial growth. The rapid growth of tourism in the Middle East and North Africa has been sustained in recent years. Since 1995 international arrivals in the region have increased faster than in any other part of the World, at a rate of roughly 60% (World Tourism Organisation, 1997a).

Despite the UN sanctions from April 1992 until 1998 which prohibited air traffic from flying in or out of Libya causing tourists to travel by land or sea, tourism was still the country's fastest growing sector. Tourism is the only source of hard currency other than oil exports and as such many small and medium-sized tourist enterprises have been established (Arab World Online, 2001). Since sanctions have been suspended, the situation has become more stable, and Libya's future strategy is to increase its market share in the international tourism market (Aziz, 2002). Europeans account for the largest number of foreign tourists led by Germany, followed by France, Italy, Spain and Switzerland. An increase in the number of tourists is mainly due to the fact that Libya has some of the best preserved Roman ruins in the World, and also because it is considered an exotic vacation by adventurous Europeans. Looking at the arrivals from abroad, especially from European countries, tourists visiting Libya from France accounted for only 2,079 in 1995. This number doubled in 2000 to a total of 5,271, which shows the highest average annual growth for 1995/2000 of 26.2% (WTO, 2001).

Germany has the second highest average annual rate of tourists visiting Libya of 21.7% and Austria the third with 13.4%. The total number of visitors to Libya fell from 1,831,884 in 1995 to 962,559 in 2000 (Arab World Online, 2001). This was mainly because of a fall in the number of overseas workers who sought employment in Libya. Libya's future strategy is to attract a greater number of tourists to the country every year (Teyeb, 2002). In order to achieve this goal the country has set up a new High-Technology Tourism Information Centre, together with a planning department and a monitoring and promotion department, their main role is to promote the country at major tourism fairs abroad. Furthermore, the country has implemented the Tourism Master

Plan 1999-2018, which was developed with the aid of the World Tourism Organisation. The Middle East Economic Digest (Butter, 2003) reports “Libya may well now endeavour to develop a more market-oriented economy and that the tourism industry would be an obvious sector to develop”.

Libya is currently enjoying unprecedented economic stability, which is especially marked when compared to the economic difficulties experienced in the 1990s. Oil income is now slightly higher and foreign investment is flowing in, and the gross domestic product was up 6.5% in 2000 (Takeyh, 2001). From early 1988 Libya moved towards liberalisation, exemplified by the greater scope allowed to private enterprise in the retail trade, and to small-scale industries and agricultural businesses. The total tourist arrivals by region show that by 2020 the top three receiving regions will be Europe (717 million tourists), East Asia, the Pacific (397 million) and America (282 million), followed by Africa, the Middle East and South Asia (WTO, 1997).

#### **4.3.2 The Organisational Development of Libyan Tourism**

The organisational framework of the Libyan tourism industry was initially developed in the late 1960s. In 1968 the first Tourism Ministry was established through the Royal Act Number 44, setting out its organisational structure and activities, which included:

- “welcoming and facilitating incoming tourists;
- classification of hotels, guesthouses, restaurants and other tourist establishments;
- granting of exemptions to foreign investors to own capital assets in the country;
- security and safety for tourism locations;
- setting out licensing laws for all tourist activities;
- controlling the employment procedures within the tourism industry;
- approval of price lists in tourism establishments.” (Libyan Tourism Ministry, 1968)



In 1989 the Libyan General Board for Tourism (GBT) was established, and its objectives were:

- “Development and promotion of internal and external tourism.
- Development and investment of tourism resources to achieve participation of citizens in the process of economic development.” (GBT, 1989)

The GBT was formed to replace the Libyan General Board for Fairs and Tourism, and it was given comprehensive authority within the tourism industry, as well as responsibilities for promoting the tourism industry both in the country and World wide, to carry out statistical surveys, issue trade licenses, classification of all tourism establishments and supervising tourism training institutions. The General People's Committee for Tourism was established in 1995 as the highest authority for all tourism activities in the country. Its main objective was to establish a comprehensive strategy to develop the tourism industry, and to decide ways to implement this strategy.

A major contribution of the GBT was to complete the development of the Libyan Tourism Master Plan (LTMP), which was commissioned in February 1997 by the World Tourism Organisation acting as the executing agency of the United Nations Development Programme for the General People's Committee for Tourism. The Plan was published in December 1998. Its objective was to provide Libya with:

*“a realistic and implementable base for the development of the sector through the establishment and promulgation of a policy framework, short and long term objectives, supporting strategic guidelines and a five year action programme for the period 1999 to 2003”*

(LTMP 1998: i)

One recommendation of the LTMP was to establish the Tourism Investment and Promotion Board (TIPB). The mission of the TIPB was to promote and invest in various aspects of tourism, and to introduce the richness of Libya's unique history, culture and people to international tourists. Since 2003 the General People's Committee for Tourism has undertaken the work of the GBT.

In 1998 the Tourism Investment and Promotion Board (TIPB) was established under the supervision of the General People's Committee for Media, Culture and Tourism.

In 2002 the GBT stated that its main objectives were to continue the following tasks:

- “Supervision of all tourist affairs, promotion of tourism, development of tourism activities, ease of tourists coming into the country and all procedures to do with tourist services.
  - Collection and analysis of data, information and statistics related to the tourism industry and publishing newsletters as well as providing all local tourism authorities with information about developments and services available.
  - Marketing and promotion of tourism, both national and international.
  - Carrying out surveys and provide programmes necessary for the development of tourism and provide consultations on investment programmes to improve the tourism-related infrastructure.
  - Organising and licensing the schemes for tour guides to tourist attractions in the country.
  - Licensing, supervision and control (indirect) all travel and tourism companies.
  - Licensing, classification and inspection of all accommodation outlets.
  - Supervision of all tourism related education and training institutions.
  - Grant customs and excise tax exemptions for materials and machinery used for tourist projects.
  - Allocating the budget requirements for the country's tourism industry.”
- (GBT, 2002)

The Tourism industry in Libya consists of many companies, with various activities, ranging from tour operators to cafés and restaurants. The majority of these companies are SMEs who operate independently and do not belong to a chain. The types of enterprises that comprise the tourism industry are:

- Tour operators

- Travel agents
- Tourist guide services
- Air lines
- Transportation bureaux
- Restaurants and cafés
- Hotels and guesthouses
- Museums, historical sites and buildings
- Sports and recreational sport services
- Nature reserve services
- Tourism education and training institutions
- Local tourist offices
- Tourism police
- Craft industries

All of these organisations fall under the umbrella of the Libyan General Board of Tourism (GBT), which is the main body holding the highest authority for all tourism-related activities.

In 2002 the government established the Department of Tourism and Antiquities under the direct supervision of the Ministry of Economics. The new department has the same objectives to carry out the similar tasks previously implemented by the General Board for Tourism, which was abolished after the creation of the new department. This move has been announced to give the Tourism and Antiquities industry a closer role in the country's economic planning and to provide it with the necessary powers to enable it to implement its strategic master plan set out in conjunction with the World Tourism Organisation.

### **General People's Committee for Tourism (GPCT)**

The GPCT was established under Act 4/2003 by the General People's Committee (Prime Ministry) to re-organise the General People's Committee. This Act was followed by Act

10/2003 to replace the General Board for Tourism and Antiquities (GBTA), and Act 52/2003 for the organisational structure of the GPCT. Act 10/2003 states that the GPCT replaces the GBTA with all its assets and liabilities. Act 52/2003 lays out the organisational structure of the GPCT and its departments as well as duties and responsibilities of each of those departments within the GPCT. Act 52/2003 lists the objectives of the GPCT which include:

1. “To prepare and implement a comprehensive strategic plan for tourism in the country.
2. To follow-up the implementation of the Tourism Master Plan, and to evaluate - in co-ordination with other parties - its progress during the last five years.
3. To encourage tourism marketing, and to promote the country’s attractions as a tourist destination both inside and outside the country.
4. To encourage research and programmes necessary to develop the tourism industry.
5. To encourage, enforce and protect the implementation of tourist activities in all different regions of the country.
6. To identify all tourist development zones and prepare plans on how best to develop them to become tourist attractions.
7. To supervise all projects related to the tourism sector.
8. To grant customs and excise exemptions as well as tax exemptions for projects within the sector according to the law.
9. To set conditions on personnel and companies working in the tourism industry, which include tour operators; travel agents; hotels; guest houses; restaurants; tourist villages; tourist camps; tourist transportation and tourist guides.
10. To grant licences to all personnel and companies working and/or wishing to work in the tourism industry.
11. Classification of all tourist utilities.
12. To participate and encourage tourist festivals in co-ordination with local authorities and the private sector.

13. To develop local crafts and encourage participation from all interested parties.
14. To pay more attention to antiquities, museums, old cities and historical places.
15. To encourage the participation of the private sector both nationally and internationally in tourism projects and to ease problems that might arise and hinder their participation.
16. To prepare training and development programmes in all aspects of tourism and related activities.
17. To emphasise security and safety issues for the tourist, personnel and organisations working in the industry.
18. To prepare the annual budget plan for the GPCT.
19. Data collection and statistics related to the tourism industry both in national and international markets, and issue news briefs and periodicals accordingly.” (GPCT, Act 52/2003)

The public sector organisations involved in running the Libyan tourism industry which are below the GPCT include:

- Antiquities Authority
- Craftsman Development Board
- Tourism Investment and Promotion Board
- Other public companies established under their authority.

The organisational structure of the GPCT has the following departments and offices:

- General Department for Planning, Investment and follow-up.
- General Department for Tourism services
- General Department for Tourism product development
- General Department for Administrative and Financial affairs
- Bureau for Legal affairs
- Bureau for Relations and Co-operation
- Bureau for Tourism Information and Documentations
- Bureau for Committee Affairs

The primary aims of the GPCT are to help the industry progress the development of entrepreneurship and the SME sector. In 2000 the General Planning Commission, (GPC), (2000) produced a report analysing the developments within the tourism sector to develop the sector and encourage more SMTEs to take part in tourism related activities. In this report it was stated that the tourism sector has achieved the following:

- “The first stage of the Tourism Master Plan has been completed, this included investment needed for the hotel sector and protection of tourism attractions. A booklet listing the available tourism investment opportunities has been issued.
- There is also co-operation between national offices and the World Tourism Organisation to assist in developing the tourism sector and co-operation with the United Nations Economic and Social Committee (UNESCO) to conduct studies on how to maintain the old cities in the country.
- Stage one of the study on desert tourism has been completed. This considers desert attractions in the area between altitude (30-12) and magnitude (19.9). The study included geographical, geological and historical data gathering for oasis, valleys, mountains, water sources and ancient civilisations.
- Handicraft programme - a study is being carried out to identify all handicrafts in different areas of the country and the establishment of handicraft centres in the Jarma/Ubari, Barket/Ghat and Tarhuna/Msalata areas. This also included the maintenance of old houses in Sebha and Ghadames to be used as centres for handicraft activities.
- International Tourism fairs and shows. The country has participated in a number of international tourism shows which included: Berlin, Madrid, Paris, Tunis, the Hong Kong Colony; as well as participation in a number of conferences and symposiums related to the tourism industry.
- Training programme - a number of training programmes were organised which included both local and overseas training as well as organising a symposium for hotel managers in different areas of the country.
- Tourism orientation. In this field there were a number of steps taken which included:
  - the production of a video tape titled “Tourism in Libya”;

- issue of brochures and booklets showing different tourism attractions in the country;
- the issue of a photo book showing all tourist attractions;
- joining the Arab Tourism Guide and the annual tourism shows in Hoon, Ghadames and Fugaha;
- Co-ordination with the Arab Institute in Paris to organise a tourist/cultural show in Paris;
- The issue of a booklet of investment opportunities in three different languages;
- The invitation of media people from different countries to see the tourism attractions and to convey the message to their people.” (GPC, 2000).

#### **4.3.3 Libya’s Tourist attractions**

According to the World Tourism Organisation (1997a) Libya is the World's newest and most exciting tourist destination. It has a coastline of more than 1,700 km of virgin beaches which makes it an attraction area for sea sports, diving and all kinds of beach activities. There are ancient archaeological cities with monuments from the Romans, Phoenicians, Greeks and Islam civilisation. There are also historical Mosques and churches, as well as the museums with their splendid and fine antiquarian possessions.

Along the northern coastline, lie the ancient cities found from the Phoenician to the Roman times:

- Sabrata (Sabratha): located 70 km west of Tripoli, was found to be the earliest Phoenician settlement from around the 6<sup>th</sup> Century BC, partly buried under ruins of the Roman town built later between 139-180 AD, and under the sea.
- Lebda (Leptis Magna): located 90km east of Tripoli, is also argued to be one of the oldest Phoenician towns in North Africa; and the most outstanding archaeological settlement in Libya. It was a very important trading centre during Roman rule on account of its location and as the birthplace of the Emperor Septimus Severus.

- **Shahat (Cyrene):** 200km east of Benghazi, was founded around the middle of the 7<sup>th</sup> Century by Greek immigrants. It was built over the city of "Kurena", 621 metres above sea level. Cyrene gradually developed into a Kingdom which reached its peak around 400BC, becoming second in importance only to Athens and was later revitalised under Roman rule. There are a mixture of ruins reflecting both periods.
- **Sousa (Apollonia):** 10 miles to the north of Cyrene along the coastline, was a port built around the same time which was wholly dependent on it. It became the principal city in the province flourishing under Byzantine and again under Turkish rule with a new name in 1897.
- **Germa, Ghirza and Fezzan:** are ancient Libyan towns which housed the early Libyan tribes; the Garamants (who originated from the south) and others who resisted Roman influence and later co-existed with them and prospered through trade from Africa with the Romans.
- **Ghadames (Cydamae):** is located 683km southwest of Tripoli in the middle of the desert. A water spring has helped the survival of the town in the harsh desert conditions to become one of the most important commercial stations in the region. The Greek, Roman, Garmants and Muslim civilisations have all left their print on the city's rocks, caves, ruins and dunes.

#### **4.3.4 The structure of the Libyan Tourism Industry (SMTEs)**

The tourism industry in Libya consists of many enterprises and institutions ranging from educational institutions to cafés and restaurants. The majority of these companies are small and operate independently (not belonging to a chain of companies). These enterprises have been categorised into ten types of business, which fall within the remit of the GPCT. The largest category are travel agents with 225 (41%) of the enterprises, followed by hotels and guest houses with 195 (36%), tourist restaurants with 47 (9%), and tour operators, museums and historical sites each with a 3% share of the total number of enterprises. All of these enterprises fall under either the direct or indirect control of the GBT (see Table 4.6).



**Table 4.6: Type and number of enterprises forming the Libyan tourism industry**

Type	Number	Public/Private	SMTE based	%
Local Tourist Authority	4	Public	No	1
Hotels & Guest Houses	195	Private	Yes	36
Museums	18	Public	No	3
Historical sites and buildings	19	Public	No	3
Nature reserve services	6	Public	Yes	1
Sports and sport recreation services	12	Public/Private	Yes	2
Tourism Education & Training Institutions	6	Public	No	1
Tour Operators	15	Private	Yes	3
Travel Agents	225	Private	Yes	41
Tourist Restaurants & Cafés	47	Private	Yes	9
Total	547			100

(Source: Abuzed, 2001)

The total income for the tourism industry in Libya was also obtained from the survey undertaken for research into Libyan SMTEs for the years 1996 to 2000, and this is shown in Figure 4.8.

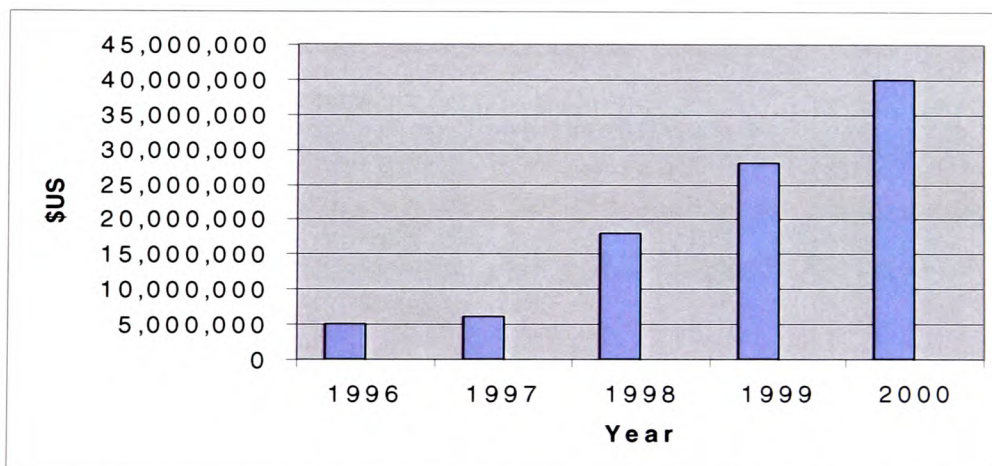
**Figure 4.8: The total income for the tourism industry in Libya for 1996 to 2000**

Figure 4.8 shows that the total income for the tourist industry rose from \$US 5 million in 1996 to \$US 40 million in 2000. It was reported in the survey that the tourism industry for 2001 was expected to be \$US 30 million with 6,800 employees.

#### **4.3.5 Challenges to the Development of Libyan SMTEs**

The problems facing SMTEs, and public sector policy measures, in Libya can be considered in two categories - the first category are general problems which face many tourism industries in developing countries (Statistical, Economic and Social Research and Training Centre for Islamic Countries, 2001), and the second category are more specific problems faced by SMTEs in Libya (Abuzed, 2002). The general problems include:

- Lack of knowledge and awareness:

There is a lack of awareness of the economic importance of tourism as an industry. This is true for both its positive impact as a potential source of foreign exchange and employment and its negative impact as a leakage of the country's resources.

- Lack of tourism-related infrastructure:

The country lacks a sufficient infrastructure requisite for the development of a successful tourism sector. Most important amongst these are hotels and lodging services, transportation and communication and tourism information services.

- Lack of technical know-how and weak promotional activity.
- Lack of tourism investment:

Investment in services-oriented projects is considered high risk, and foreign investors, especially private companies, are still demanding more assurances from the government to encourage their inward investment.

Private sector (specific) problems are often brought about by the public sector, which in turn faces its own financing problems. Table 4.7 illustrates the types of problems affecting Libyan SMTEs (Abuzed, 2002).

**Table 4.7: Problems affecting Libyan SMTEs (Source: Abuzed, 2002)**

<b>Problem</b>	<b>Description</b>
1	Lack of co-ordination between the GBT and tourism companies concerning tourism marketing and organising tourism shows and festivals inside and outside the country.
2	The means of transportation for tourists are not enough to cope with the increasing demand in all the various types of tourism activities offered by the industry, e.g. desert tourism.
3	Accommodation outlets do not meet international standards and prices are higher in relation to the services provided. This is disadvantageous in international markets especially when compared to other regional competitors.
4	Lack of use of other languages in places of interest to tourists and in ports across the country.
5	Cleanliness of cities, towns, roads and places of interest is not high on the agenda.
6	Lack of facilities in almost all places of interest to the tourist.
7	Lack of preparation and training of personnel in the tourism guidance sector.
8	Lack of co-ordination to develop a competitive pricing policy.
9	Visa procedures for tourists are still complicated.
10	Lack of regulations to encourage local investors.
11	The delay by the GBT in establishing regional tourism offices.
12	There is no comprehensive regulation for the tourism industry that allows it to benefit from development in the international tourism market and international tourism research.

If these problems are addressed, and the role of SMTEs in the problem-solving process recognised, this will have positive benefits for the development of the Libyan tourism industry.

#### **4.3.6 Tourism and the national economy**

The tourism sector has not been identified separately in the Central Bank GDP statistics but was considered as part of two sectors - the trade, restaurants and hotels sector and the transport sector. These contributed more than 24% of GDP in 1995. The balance of payments for the country has been positive since the export of oil began. Exports have always outweighed imports by a significant margin (LD 2,682 million of exports against LD 2,348 million of imports in 1994) according to the Central Bank of Libya (1994) statistics. On the contrary the services account in the balance of payments represents a totally different picture with the import of business services (freight and insurance, for

example) and the movement of certain direct investment flows overseas in relation to the oil sector exceeded services related earnings from overseas. The Libyan Central Bank reported in 1994 that service related activities outflows represented LD390 million and overseas earnings were only LD169 million (Central Bank of Libya, 1994). Libya's government in the past few years has been developing plans aimed at reconfiguring the economy away from its current total dependence on oil, which accounts for 95 percent of the country's foreign currency. The challenges of globalisation on the cultural, social and economic sectors seem to have forced the authorities to pay greater attention to diversification. In this respect, the tourism sector represents a strategic area. Tour operators and other actors are mobilising to attract local and foreign investment in this buoyant industry and are encouraging the formation of commercial banks to finance tourism projects. It is in this connection that the authorities have for example launched the Tourism Development Bank (TDB) whose shares are held at 80 percent by the private sector. It is expected that this institution would finance the construction of hotels, tourist residences, clubs, restaurants and cafés under a profit-sharing scheme.

#### **4.3.6.1 Economic Impact of Travel and Tourism**

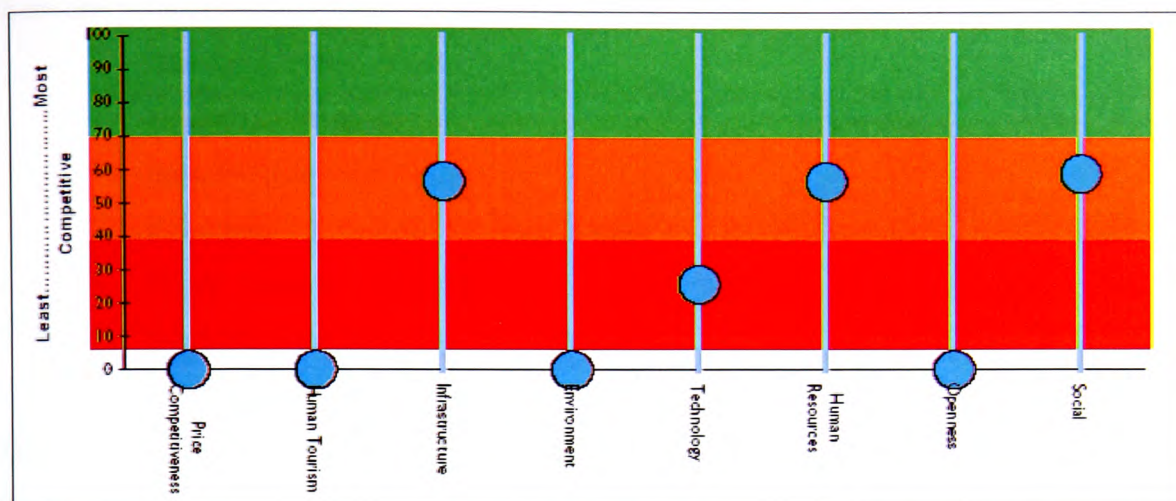
Travel and Tourism – encompassing transport, accommodation, catering, recreation and services for visitors – is one of the World's high priority industries and employers. The Libyan Travel and Tourism's economic impact for 2003 (World Travel & Tourism Council, 2003) is shown in Table 4.8 below.

**Table 4.8: Libyan Travel and Tourism's economic impact 2003**

ECONOMIC CATEGORY	IMPACT OF TRAVEL AND TOURISM (T&T)
Total Demand	Travel & Tourism is expected to generate LYD3,252.7 million (US\$3,912.4 million) of economic activity (Total Demand) in year 2003, growing (nominal terms) to LYD 11,395.0 million (US\$6,561.7 million) by 2013. Travel & Tourism Demand is expected to grow by 7.0% per annum, in real terms, between 2003 and 2013.
Gross Domestic Product - Travel & Tourism Industry	The T&T Industry is expected to contribute 2.2 per cent to Gross Domestic Product (GDP) in 2003 (LYD654.7 million or US\$787.4 million), rising in nominal terms to LYD 2,552.4 million or US\$1,469.8 million (2.6 per cent of total) by 2013.
Gross Domestic Product - Travel & Tourism Economy	The T&T Economy contribution (percent of total) should rise from 8.8 percent (LYD 2,599.0 million or US\$3,126.0 million) to 9.2 per cent (LYD 9,150.7 million or US\$ 5,269.3 million) in this same period.
Employment	In 2003, T&T Economy employment is estimated at 98,438 jobs or 9.0 percent of total employment, which is 1 in every 11.1 jobs. By 2013, this should total 112,729 jobs, 9.6 per cent of total employment or 1 in every 10.4 jobs. The 33,847 T&T Industry jobs account for 3.1 per cent of total employment in 2003 and are forecast at 42,060 jobs or 3.6 per cent of the total by 2013.
Exports	Travel & Tourism is expected to generate 12.6 per cent of total exports (LYD 1,028.6 million or US\$ 1,237.2 million) in 2003, growing (nominal terms) to LYD 3,256.4 million or US\$ 1,875.1 million (13.1 per cent of
Capital Investment	Capital investment is estimated at LYD 838.8 million, US\$ 1,008.9 million or 22.6 per cent of total investment in year 2003. By 2013, this should reach LYD 2,860.2 million, US\$ 1,647.0 million or 22.9 per cent of total.

Source: WTTC, 2003

Figure 4.9 shows the least to most competitive areas for tourism based on the Libyan Travel and Tourism Competitiveness Monitor for 2003.

**Figure 4.9: Libyan Travel & Tourism Competitiveness Monitor 2003**

Source: WTTC, 2003

Table 4.9 shows the index value (least to most competitive) and ranking (most competitive to least competitive) from the Libyan Travel and Tourism Monitor for 2003.

**Table 4.9: Libyan Travel & Tourism Competitiveness Monitor 2003**

Libya	Index Value	Ranking
Price Competitiveness	na	na
Human Tourism	na	na
Infrastructure	57	49
Environment	na	na
Technology	26	131
Human Resources	57	76
Openness	na	na
Social	59	80

Index Value (Least Competitive is 0.0; Most Competitive is 100.0)  
Ranking (Most Competitive is Number 1; Least Competitive is Number 206)

Source: WTTC, 2003

#### 4.3.6.2 Foreign Investment in Libyan Tourism

Libya does not have a modern tourist infrastructure and is therefore actively seeking to encourage developers to invest in a number of defined projects. Although mass tourism



is not on the agenda for Libya as it may introduce social and environmental problems there are projects within the plan to develop the following sectors:

- Classical archaeological sites;
- Desert landscapes, numerous prehistoric sites and mountainous areas;
- Historic towns and cities that exhibit a wide cultural background;
- Beaches;
- Other tourism resources, including opportunities for scuba diving, religious tourism, health/spa tourism, World War II history sites, and sports.

The Tourism Investment and Promotion Board (TIPB) have assessed a number of sites for potential in the areas of cultural, eco, adventure, recreational, sport/health, religious, and desert tourism. The government is encouraging foreign investment from a very low base. The Corinthia Group is currently operating a five star hotel in the business centre of Tripoli which was opened in early 2003. This 28 - storey twin tower complex offers 300 rooms, business/conference and a sports and shopping centre at a cost of \$125 million. This project is a joint venture with the Maltese developer and the Libyan Foreign Investment Company. (The Corinthia Group has also invited architects to produce initial designs for a 300-leisure complex near Misurata).

Silin Beach Resort's (near Tripoli) site contract was signed with the Italian company Valtur, which operates holiday villages in Morocco, Egypt and Tunisia. The contract is for a 600-bed tourist resort with plans to expand to 1,000 beds. Facilities include an 18-hole golf course, an amphitheatre, and health and sports centres. The main attraction of this site is the remains of the Roman "Villa Silin" which are extraordinarily well preserved.

#### **4.3.6.3 Greenfield sites for foreign investment offered by the TIPB**

The TIPB has offered nine greenfield sites for tourist investment. These sites have been assessed for potential in the areas of cultural, eco, adventure, recreational, sport/health, religious, and desert tourism. The coast and desert sites are listed below.

Coast:

- Silin Beach – Contract signed with Italian Valtur Company
- Al -Twebya Beach
- Ras al -Tin Beach
- Al Kouf National Park
- Surman National Park
- St Mark's Valley

Desert:

- Allud Valley
- Bzimah Oasis
- Zallaf and Ubari Oasis

Foreign investment projects under consideration include:

- Switzerland's Moevenpick are researching the development of a 260-room hotel on the seafront area of Tripoli.
- London consultant's PKF have completed a market and financial study for a \$50 million hotel and business complex near the Bourg Al-Fateh towers in Tripoli.
- The Le Meridian Hotel Group is discussing plans for hotel complexes in Tripoli and other areas.
- The Farwa Island Company resort development at Abu Kishfa, near Zuwara, remains half finished due to contractual problems. An Italian company is involved with this project.
- Luxembourg's Medinvest are researching hotel complexes including restaurants and cafés in the Ghadames, Lebda and Subrata regions.
- Tri Hospitality undertook a feasibility study on behalf of the Libyan Consulting Board for a “mini-city complex at Leptis Nova” on the Brega Coastline.
- The Water city Project contract for Tripoli has been signed with an Indonesian Company.



- The Libyan Football Federation are looking to up-grade the Grand hotel. They have also commissioned a British company to produce plans for a resort in Sidi Banour, 40 kilometres outside Tripoli.

There is therefore considerable hotel development taking place in Libya, especially in the Tripoli area.

#### **4.4 Conclusion**

The Libyan economy has been dependent on oil for the last three decades, and the Libyan Government is seeking to diversify the economy and encourage foreign investment. Certainly laws passed by the government do encourage foreign investment in most fields. The tourism sector is considered one of the five main fields for the encouragement of foreign investment amongst agriculture and industry. Tourism is witnessing a turning point in the development of the small firm sector in the Libyan economy and more and more businesses are registering their activities in tourism and tourism related activities.

Tourism in Libya is seen as the first long-term alternative industry to oil, as the country possesses the tourist characteristics to allow it to be one of the World's leading destinations. The industry relies on the private sector which is relatively new in the Libyan economy, and as in many other countries the small firm sector does have its own setbacks. Entrepreneurial and Small Business Marketing is considered one of the most important issues relating to the growth and development of a healthy small firm sector within the Libyan tourism industry. Therefore, this study will provide understanding on Libyan small tourist enterprises and their marketing activities.

The tourism sector has the support of the Libyan government to develop and grow independently with less interference from the public sector. The new laws passed, and the creation of the Ministry of Tourism in 2003, are an indication of the intentions of the government to move in a more liberal direction with regard to the Libyan tourism industry. This in turn will benefit the small firm sector by developing the industry with financial support from foreign investment organisations. However, this does not exempt

the government of its major role as the provider of the infrastructure needed to develop the industry, as well as the main partner with the small businesses in promoting the country as a tourist destination worldwide. These issues represent the main reasons to develop the Libyan Tourism Master Plan 1998-2018 which sets out the major plans necessary to develop the tourism industry in the country and to promote it to the international community.

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## **CHAPTER 5: RESEARCH METHODOLOGY**

## **Chapter 5**

### **Research Methodology**

#### **5.1 Introduction**

In the previous chapter, the selection of Libya and its tourism industry as a context for this research was discussed. Since the announcement by the government to move towards diversification of the economy tourism has been regarded as one of the best alternative sectors for the country as it possesses the products required for such an industry. Rapid changes which occurred in the mid nineties brought some crucial challenges to the public sector as well as the small firm sector within the industry. The co-operation of the authority with the World Tourism Organisation to develop a long term plan (Tourism Master Plan), and the establishment of an authority for the encouragement of foreign direct investment in the country, were signs of its commitment to lead the industry to become a real alternative to the oil industry. The government is no longer interested in a monopoly economy driven by one public sector company as the main producer, importer and provider of any product or service in the country. All this has attracted more entrepreneurs to set up businesses in tourism and tourism related activities, which make Libya's tourism industry the ideal context for this research. This chapter discusses the research methodology and design used throughout this research study of the Libyan tourism industry as a general context and more specifically among SMTEs in Libya.

Marketing interface researchers (Carson and Coviello, 1995; Hills and LaForge, 1992; Hoffer and Bygrave, 1992) conclude that research into the marketing interface is still in the early stages of development. However, Hills (1995) suggests that an entrepreneurial school of marketing thought is evolving. Hoffer and Bygrave (1992) suggest that the entrepreneurial process involving a change of state and discontinuity that is holistic and dynamic in nature, limits the application of classical management research approaches and economic models of theory building. Davis, Hills and LaForge (1985) also comment that small firm marketing research is a difficult and demanding task. They observe that:

*“...it is particularly more difficult to find small firms willing and able to provide the required data. Small firms are notorious for their lack of attention to keeping complete and accurate records and for their reluctance to divulge information about their business” (Davis, Hills and LaForge, 1985, pp.40)*

## **5.2. Overall Research Aim:**

Finding a research aim for the marketing/entrepreneurship interface is important since it becomes the driving force behind the research - from beginning to end. It forms the basis for the literature review, it also evolves the objectives. Conclusions should address the aim. In the end, the success of the research depends on how well this aim is fulfilled. The overall aim of this research for the marketing/entrepreneurship interface should include the following criteria:

- It must not be too broad or general (although it will be focused more later in the process).
- It should not have already been answered by previous research (although replication with variation is certainly acceptable).
- It ought to be an aim that needs to be fulfilled (i.e. the answer will be useful).
- It must be an aim that can be fulfilled through empirical means.

Therefore, the overall aim of this research was developed to investigate the role of the marketing interface in the development of small and medium-sized enterprises within the Libyan tourism industry, which is:

*“To examine the concept of the marketing/entrepreneurship interface within the context of growth-seeking Libyan tourism SMEs”*

## **5.3. Research Objectives:**

The literature available on marketing in developing countries in general and in tourism marketing in particular, requires an empirical base. There is a deficiency in the literature which is based on subjective points of view. On the other hand, the literature on tourism marketing is mostly lacking as nothing is really known on a systematic basis about that

activity. This may be due to the fact that tourism is a recent phenomenon which has not yet been examined. However, marketing has the greatest potential role to play in promoting the tourism business. The importance of tourism marketing for the industry has been recognised by the Libyan government, as these activities are regarded as vital to diversify the economy. Moreover, the scarcity of literature in this field creates the need for exploratory research in the area to highlight how firms pursue marketing. Additionally, literature on tourism marketing in Libya is needed to bridge the gap in knowledge and to help towards a better understanding of the practices in developing countries in tourism marketing.

The objectives of this research concentrate on issues contextualising the marketing/entrepreneurship interface within the Libyan small and medium-sized tourist enterprises (SMTEs). Therefore, the research objectives are as follows:

**Objective one:** To gain an insight of the small and medium-sized enterprises within the Libyan tourism industry.

**Objective two:** To determine the key dimensions and parameters of what constitutes the marketing/entrepreneurship interface for Libyan tourism SMEs.

**Objective three:** To enhance understanding of the management processes, activities and abilities embedded within the marketing/entrepreneurship interface across a variety of Libyan tourism SME development contexts.

**Objective four:** To identify those management processes and activities which represent small business marketing activities within the participant tourism SMEs.

**Objective five:** To contrast and compare the SME marketing practices revealed in the study with traditional marketing theory/concepts as embedded within the conventional marketing literature.

**Objective six:** To identify characteristics of the entrepreneur/owner/manager which are relevant to the success of the small firm through the marketing interface within the Libyan small and medium-sized enterprises.

## **5.4. Research Philosophy**

### **5.4.1. Philosophical assumptions concerning positivism, postpositivism, pragmatism and constructivism/interpretivism.**

This section overviews the underlying theoretical assumptions of the main research philosophies that have been used to conduct the research. This overview is relevant because a description of these dominant research perspectives will help to clarify how they differ from each other. The discussion will gain insights into the different philosophies and assumptions that ground the methodology to conduct of this research. The positivist paradigm remains the dominant approach in conducting research (Kaplan and Duchon, 1988). However, the constructivist/interpretive perspective has been increasing and gaining more credibility and wider acceptance in research. The reasons for the growth of constructivist/interpretive research include a general shift in research away from technological to managerial and organisational issues and a desire to study problems in the richness of their real-life setting as contrasted with the artificial context of laboratory studies. Both positivist and constructivist perspectives aim to provide greater understanding of given phenomena. However, the approaches differ greatly in terms of how this can be achieved. The positivist and constructivist approaches, therefore, do not need to be viewed as irreconcilable and can be accepted as providing different views of the same phenomenon. Researchers can combine constructive research in one study to support positive research in another, or vice versa. Positivist and interpretivist methods can also be present simultaneously and mutually supportive within one study (Kaplan and Duchon, 1988).

### **5.4.2. Positivist perspective**

Research can be classified as positivist if there is evidence of formal propositions, quantifiable measures of variables, hypothesis testing, and the drawing of inferences about a phenomenon from a representative sample to a stated population (Greene, 1994). Examples of a positivist approach to qualitative research include Tin (1994) and Benbasat et al. (1987). Positivist studies are concerned in testing theory, in an attempt to increase the predictive understanding of phenomena. The approach is based on rational positivist thought, and includes the presumption that there is a “real World”, that exists

independently of human existence or perception of it, that observation of the phenomena under investigation can be made objectively, and rigorously, and that events in this World are determined by natural laws that insights arise from discovering these natural laws. Positivist researchers tend to ignore the fact that people think and act, that people are active makers of their physical and social reality. Sample surveys and controlled experiments are the primary data collection techniques, and inferential statistics is the data analysis method used to discover causal laws. The validity and reliability of identifying and measuring instruments are crucial, as are researcher detachment from the research process, random assignment of subjects and control over confounding influences (Reichardt and Rallis, 1994).

#### **5.4.3. Postpositivist perspective**

Dissatisfaction with axioms of positivism in social and behavioural sciences has led to postpositivism. Guba and Lincoln (1994) referred to postpositivism as the heir to positivism which has addressed several of the more widely discredited tenets of positivism. They further link postpositivism with modified experimental/manipulative; critical multiplism; falsification of hypothesis. As positivists believe that inquiry is value-free and constructivists think that inquiry is value-bound. Postpositivists acknowledge that values impose an important factor in inquiry, however they also believe in the ability to control the degree to which values influence results and interpretation (Cook and Campbell, 1979).

#### **5.4.4. Pragmatism**

Denzin and Lincoln (1994) refer to pragmatism as the paradigm where either method is applicable and that decisions regarding the use of either qualitative or quantitative methods (or both) depend upon the research question as it is currently posed and the phase of the research cycle that is ongoing. Pragmatists view the research question to be more important than the methods applied, and researchers prefer to address the research question with any methodological tool available (Tashakkori and Teddlie, 1998; Cherryholmes, 1992; Howe, 1988; Rorty, 1982). Pragmatism tends to favour the rejection of forced choice between positivism (including postpositivism) and



constructivism with regard to methods, logic, and epistemology (Tashakkori and Teddlie, 1998). It tends to reject the either-or of the incompatibility thesis and embraces both points of view. Cherryholmes (1992) stated that pragmatists believe that values play an important role in conducting research and drawing conclusions from it. As Cherryholmes (1992) stated,

*“For pragmatists, values and visions of human action and interaction precede a search for descriptions, theories, explanations, and narratives. Pragmatic research is driven by anticipated consequences. Pragmatic choices about what to research and how to go about it are conditioned by where we want to go in the broadest of senses.... Beginning with what he or she thinks is known and looking to the consequences he or she desire, our pragmatist would pick and choose how and what to research and what to do.” (Cherryholmes, 1992, pp. 13-14).*

Pragmatism appears to be the best paradigm for justifying the use of mixed method and mixed model studies (Howe, 1988). Tashakkori and Teddlie (1998) point to a number of reasons why pragmatism is more convenient in research. These reasons are:

- (a) “because it gives us a paradigm that philosophically embraces the use of mixed method and mixed model designs,
- (b) because it eschews the use of metaphysical concepts (Truth, Reality) that have caused much endless (and often useless) discussion and debate, and
- (c) because it presents a very practical and applied research philosophy: study what interests and is of value to you, study it in the different ways that one deemed appropriate, and use the results in ways that can bring about positive consequences within the value system.” (Tashakkori and Teddlie, 1998, pp. 20-39).

#### **5.4.5. Constructivism/Interpretive perspective**

A fundamental distinction between the constructivist/interpretive and positivist Worldview is the constructivist/interpretive primary presumption of social constructivism. The underlying premise of

the constructivist/interpretive researcher is that individuals act towards things on the basis of the meanings that things have for them, that meanings arise out of social interaction, and that meanings are developed and modified through a constructivist/interpretive process. The interpretive philosophy, asserts that the positivist assumptions are unwarranted, that facts and truth are “chimera”, that objective observation is impossible, and that the act of observation and interpretation is dependent on the perspective adopted by the observer (Clarke, 1994). Constructivist/interpretive approaches do not assume an objective reality that can be discovered and replicated by others. Rather, the approach is based on an ontology in which reality is subjective, a social product constructed and interpreted by humans as social actors according to their beliefs and value systems. Interpretivism asserts that reality, as well as our knowledge, are social products and hence incapable of being understood independent of the social actors (including researchers) that construct and make sense of reality. The World is not conceived of as a fixed constitution of objects, but rather as an emergent social process as an extension of human consciousness and subjective experience (Burnell and Morgan, 1979).

Constructivist/interpretivist research rejects the notion of value-free research and is not concerned with the repeatability of an explanation. The value of explanation is judged in terms of the extent to which it allows others to understand the phenomena and makes sense to those being studied. The approach is usually concerned with deep understanding of the ‘real World’ issues through accessing the meanings those participants assign to them and focuses on their cultural and historical context. It contends that theories and concepts tend to arise from the enquiry and it does not predefine dependent and independent variables, but focuses on the complexity of humans' sense making as the situation emerges. Interpretivists argue that organisations are not static and the relationships between people, organisations and technology are not fixed but constantly changing. It assumes that the social World is not 'given', rather, the social world is produced and reinforced by humans through their action and interaction, those organisations, groups, social systems do not exist apart from humans, and hence cannot be apprehended, characterised, and measured in some objective or universal way (Orlikowski and Baroudi, 1991). The interpretivist researcher attempts to gain deep understanding of the phenomena being investigated, and acknowledges his or her

own subjectivity as part of the process. It allows participants to use their own words and images, and to draw on their own concepts and experiences.

Based upon the interpretive assumptions and given that the focus of this study is concerned with the role that the marketing interface plays in the development of SMTEs, the general characteristics of interpretivism become evident as the most appropriate perspective to use in this study. Therefore, the choice of taking an interpretivist position for this study, as opposed to positivist is because the best way to understand a complex phenomenon, like the marketing interface, is to adopt an approach which is concerned with understanding the experiences of the participants involved. The primary aim of this study is to describe, interpret, analyse, and understand marketing tools and implications from the SMTE's perspective. Also, given that the marketing interface in SMEs is a dynamic and social phenomenon; it therefore requires an appropriate approach to help the researcher to understand the complex interactions within the natural setting. The interpretive perspective is designed to help researchers understand people and the social and cultural contexts within which they live. Furthermore, this study agrees with the criticisms against scientific approaches regarding the objectivity of observations and impartiality of the researcher. However, the positivist approaches are still invaluable in generating data about situations. Table 5.1 below shows the major differences between the four paradigms used in research.

**Table 5.1: Comparison of the important paradigms in social and behavioural sciences of relevance to research into the marketing interface**

PARADIGM	POSITIVISM	POSTPOSITIVISM	PRAGMATISM	CONSTRUCTIVISM
Methods	Quantitative	Primarily Quantitative	Quantitative + Qualitative	Qualitative
Logic	Deductive	Primarily Deductive	Deductive + Inductive	Inductive
Epistemology	Objective point of view. Knower and known are dualism.	Modified dualism. Findings probably objectively "true."	Both objective and subjective points of view.	Subjective point of view. Knower and known are inseparable.
Axiology	Inquiry is value-free	Inquiry involves values, but they may be controlled.	Values play a large role in interpreting results.	Inquiry is value-bound.
Ontology	Naïve realism	Critical or transcendental realism	Accept external reality. Choose explanations that best produce desired outcomes.	Relativism
Causal linkages	Real causes temporarily precedent to or simultaneous with effects.	There are some lawful, reasonably stable relationships among social phenomena. These may be known imperfectly. Causes are identifiable in a probabilistic sense that changes over time.	There may be causal relationships, but we will never be able to pin them down.	All entities simultaneously shaping each other. It's impossible to distinguish causes from effects.

Source: Tashakkori and Teddlie, (1998)

#### 5.4.6. Justification for using the mixed-methodology approach

This research uses a combination of research methods starting with preliminary research exploring issues under examination, followed by quantitative research to identify the

substantive context, and then qualitative research to provide in-depth knowledge. This approach seems to be more appropriate and suitable for small firm research, including researching the marketing interface in Libyan small firms. Kirby (1992) supports this, arguing that:

*“It is not a case of using one technique or set of techniques in preference to another. Rather projects should be perceived as multi-staged – frequently involving, within one project, the use of both qualitative and quantitative approaches. Whichever approach is adopted, it is essential to ensure that the technique is applied rigorously, correctly and appropriately”.*

Furthermore, the use of a single methodology approach has been advocated by a number of authors, many of the supporting arguments are decidedly pragmatic, such as time constraints, the need to limit the scope of a study, and the difficulty of publishing the findings (Creswell, 1994). The crucial aspect in justifying a mixed methodology research design is that both single methodology approaches (quantitative and qualitative) have strengths and weaknesses. The combination of methodologies, on the other hand, can focus on their relevant strengths. The researcher aims to achieve the situation where blending qualitative and quantitative methods of research can produce a final product which can highlight the significant contributions of both (Nau, 1995), where qualitative data can support and explicate the meaning of quantitative research (Jayaratne, 1993). By adopting the following assumptions, the researcher ensures that the final product maximises the strengths of a mixed methods approach.

Qualitative method excels as informative from the participant's viewpoint, providing the rich descriptive detail that sets quantitative results in their human context, thus a qualitative approach is appropriate to investigate these aspects, by examining the participants' point of view. The use of qualitative methods allows for the development of theory that may arise as part of such research. It allows the researcher to develop an overall picture of the phenomenon under investigation by describing it in great detail, in the original language of the research participants. However, when a researcher has that kind of detail, it is hard to determine what the generalisable themes may be, this is often an especially challenging issue. Because much qualitative research takes an enormous amount of time, it is very labour intensive, and yields results that may not be

generalisable for policy-making or decision-making. While quantitative research excels at summarising large amounts of data and reaching generalisations based on statistical projections. Quantitative analysis may complement the findings of qualitative methods, and may confirm or disconfirm any apparently significant data that emerge from the study. It is argued that the selection of a research strategy entails a trade-off: the strengths of one approach overcome the weakness in another approach and vice versa, and an attempt to accommodate them pluralistically leads to a far more complete picture (Fitzgerald and Howcroft, 1998). Many researchers have adopted such a stance, arguing that research approaches should not be viewed as mutually exclusive (Jick, 1983). Mixing research methods can lead to new insights and modes of analysis that is unlikely to occur if one method is used alone (Kaplan and Duchon, 1988).

A sizeable number of researchers (Gable, 1994; Denzin, 1989; Easterby-Smith et al, 1991; Cavaye, 1996; Kaplan and Duchon, 1988; Lee, 1991; Bonoma, 1985) have argued and put forward a number of reasons for mixing research methods: (1) it enables the building of a fuller, richer picture surrounding a phenomenon than either method on its own would be able; (2) it increases the robustness of results because findings can be strengthened through cross-validation achieved when different kinds and sources of data converge and are found congruent; (3) it helps find explanations for diverging results; (4) researchers can capitalise on the strengths of each and minimise weakness inherent in single strategies; and (5) it can increase the validity of the research findings. In addition, several other researchers (Denzin, 1989) have suggested that researchers should feel free to mix features of the quantitative and qualitative paradigm or to adapt desired features from each at will. Gable (1994) suggests that this view is desirable in most areas of social research, especially in a newly emerging sub-field such as the study of the marketing interface in small firms. Gable (1994) identifies two main reasons for supplementing quantitative survey data with qualitative interview data: (1) to develop contextual richness that is valuable in model building; (2) to improve internal validity and interpretation of quantitative findings. He argues that combining the main strength of the survey (generalisability/external validity) with the main strength of interviews (complexity and discoverability) can yield a superior piece of research. Jick (1983)

points out that survey research and fieldwork have always been alternative rather than competing sources of evidence and ideas. He further argues that combining different methods may be used not only to examine the same phenomenon from multiple perspectives, but also to enrich understanding by allowing new or deeper dimensions to emerge. Denzin (1989) suggests that researchers should examine a problem from as many methodological perspectives as possible. Denzin argues that the flaws of one method are often the strengths of another; and by combining methods, researchers can achieve the best for each while overcoming their unique deficiencies.

Avison and Myers (1995) highlight that different research methods are relevant and add to the potential for progress and discovery. Researchers like Banville and Landry (1992) argue that no single method can ever capture all the richness and complexity of organisational reality, and that a diversity of methods, theories and philosophies is required (Banville and Landry, 1992).

It is not the purpose of this section to suggest that a mixed methodology is the only suitable research design for researching the marketing interface, rather it is an appropriate, and desirable design that enables the understanding of the complex nature and organisational issues associated with the marketing interface in small enterprises. The researcher therefore considers a mixed methodology approach more effective in addressing the marketing interface issue amongst Libyan SMTEs. A two stage research design, using a combination of both the quantitative approach (survey questionnaire) and the qualitative approach (semi-structured interviews), was used for this research. This approach is similar to what Creswell (1994) described as a “dominant-less dominant” design. The principal part of this research is the quantitative survey questionnaire instrument which was used to collect data to address the objectives and test the hypotheses proposed in this research. The qualitative aspect of this research refers to the series of interviews conducted with eleven entrepreneur/owner/managers to gain insights from them on the various issues relevant to the research.

## **5.5. Research Design**

### **5.5.1. Methods of Data Collection**

#### **5.5.1.1 Questionnaire**

Quantitative methods were used in conjunction with qualitative methods, to provide a clear picture in respect of the problems investigated. The statistical analysis allowed the relationships to be established among different independent variables with the dependent variables. However, this was not enough to explore the reasons for those relationships. Therefore, interviews were conducted after completing the statistical analysis which facilitated the interpretation of the relationships found between some particular variables. Two different data collection methods were used in the study. These methods were questionnaires and interviews.

In order to examine these issues, two questionnaire surveys were designed, one to be targeted at all relevant firms, along with a smaller number of follow-up visits and interviews; the second was aimed at tourists visiting the country and using the services provided by SMTEs. The second questionnaire sought a different view on all services provided by SMTEs to - the end user of these services - the tourist. The main areas addressed by the first questionnaire were the nature of the small business, knowledge and experience of the entrepreneur/owner-manager, the business performance, the business perception and marketing and the marketing interface of the business. The questionnaire also considered the relationships between SMTEs and the authorities, communities and among themselves. The second questionnaire investigated the type of tourists interested in Libyan tourism (age, gender, occupation, income and region), as well as determining the type of tour packages provided by SMTEs attracting the tourists and how they would rate Libyan tourism according to fifteen measuring standards for services acquired by tourists, which are listed with the choice of either excellent, very good, good, poor or very poor. Further questions in the second questionnaire asked about the expectations of the tourists compared to their actual holiday which they had just taken and how they would rate tourism in Libya according to their own experience.



The interviews (again described in detail below) were intended to build on the above approach, while probing the less easily quantifiable areas more deeply including perceptions of the entrepreneur/owner/manager regarding the business and how marketing is perceived in more detail. The perceived advantages (or otherwise) of marketing in relation to strategies were also investigated. In addition, they provided an opportunity for a more general exploration of the issues, including those raised by interviewees themselves.

The main body of this chapter considers in detail the methods of research employed. The processes for selecting respondents is described, and is followed by a detailed description of the design and implementation of the questionnaire survey and programme of interviews. Potential problems are noted, and the success of measures to be taken to deal with these is assessed.

### **I. Sample Selection**

To obtain a sample which is representative (i.e. accurately reflects the population as a whole) some form of random probability sampling should be used. This is essentially a situation in which each member of the identified group (i.e. population) has an equal chance of being included in the survey. Such methods require the identification of all members of a population, referred to as the sampling frame, from which the cases to be analysed can be drawn at random until a sufficient sample size is reached. Additionally, if deemed necessary, the sampling frame can be broken down into various sub-groups (for example, in this survey, firms may be divided according to employees' numbers) in order to ensure that these sub-groups appear in the correct proportions in the sample selected. The purpose of this is to reduce the variance of parameter statistics for a given sample size.

Unfortunately, the ideal situation, as described above, is often hard if not impossible to achieve. In this survey, as is often common in business research, the lack of data availability in Libya contributes to the problem of a lack of a sampling frame, i.e. a "list" of the entire population. Allied to this was the problem of defining exactly what this "population" should consist of; the nature of this study meant that essentially what was

required was every small and medium-sized enterprise working in tourism-related activities as listed by the General Board of Tourism identified in the WTO classification of tourism businesses.

To this end for the first questionnaire a list was compiled using a number of sources including the Libyan Chamber of Commerce and the General Board of Tourism's Licensing Department. These sources have a number of problems, varying from the usual ones of not being up to date and so on, to the more complex situation of whether these firms are directly supervised and controlled by the authority. From the above, a total of 250 enterprises were identified, after the exclusion of any that were obviously not relevant. The second questionnaire's target was all tourists from outside the country, who were reached through the tour operator and travel agents organising tour packages for overseas tourists. A number of those operators and agents were approached with the questionnaire's purpose and aim explained and then copies of the questionnaires were left with the agents to distribute to tourists after completing their tour programme and leaving the country. English and French translations were used for the questionnaire.

## **II. Covering Letter**

The covering letter is probably the main chance to motivate the respondent to complete the questionnaire (De Vaus, 1986: p108), and so needs to be given considerable thought. Each letter was individually printed, using University of Glamorgan Business School, Welsh Enterprise Institute headed paper, and addressed to each recipient, rather than the use of a standard photocopied letter. The letter was printed in English as well as Arabic which would convey a sense of importance and individual involvement. To stress this, an explanation of the survey's purpose was given, and the importance of their response. An offer to provide access to results was made, as was an offer to answer any queries that might arise from the survey. Finally, each letter was signed by hand, again so as to appear more personalised.

## **III. Questionnaire delivery**

The postal service was not efficient to send and receive the questionnaire within the time available to complete it. Therefore, the intention was to use a self-administered

questionnaire (interview type questionnaire) as a principal method of data collection. The selection of the interview type questionnaire or self-administered questionnaire has several advantages and disadvantages such as:

- Advantages of “the interview type” questionnaire:

- 1- “The researcher has the chance to explain the questions, to avoid any misunderstanding,
- 2- The researcher can guarantee that the majority of the questions will be answered,
- 3- People may be more co-operative if they just talk instead of filling out questionnaires, and
- 4- The face to face contact helps to create an atmosphere of confidence between both sides.” (Al-Asadi, 2003).

- Disadvantages of “the interview type” questionnaire:

1. Time consuming: completing each questionnaire takes only 40 to 45 minutes, but it took more than 2 hours to fill out. The researcher interviewed the owner/managers in their workplace and during their work time. The main disadvantage of this was the interruption caused by the employees, telephone calls and customers. This in turn affected the duration of the interview.
2. Owner/managers’ preference: the majority of owner/managers: preferred to keep the questionnaire for several reasons since they could give more reliable answers if they had time to read it thoroughly as they were extremely busy at work.

A team of academic assistants were asked to help in distributing the questionnaire and were briefed on its objectives. All members speak English as well as Arabic and therefore had no problem with the languages. Members of the team were chosen to cover the four different regions where the questionnaire was distributed and were instructed to secure the answered questionnaire while they met with the owner/manager of the business or whoever was in his/her place. Four teams were assembled to cover the four

regions. The Eastern and central regions' team consisted of five members and a team leader, the Western region team had five members and their leader and the Southern region had three members and their leader.

Members of the team were asked to distribute the questionnaire by hand and if possible obtain the answered questionnaire on the first visit. If the business owner/manager wished to answer the questionnaire in his/her own time the team member would ask for an appointment to collect the answered questionnaire preferably within one week of returning it. Businesses who did not return their answered questionnaire within the time agreed with the owner/manager were contacted again and asked if they would like another questionnaire. Every firm on the list of 250 that had been identified by the above procedure was contacted by telephone prior to the sending of the questionnaire. This contact was intended to serve three distinct purposes:

1. To identify the name and position of a suitable contact (and to speak to them directly if possible).
2. To act as a check on the relevance of the firm to the survey.
3. To "prime" the contact for the receipt of a questionnaire.

A geographical division was applied to different areas of the country where SMTEs operate. Four areas were identified (The Eastern Region, The Western Region, The Southern Region and the Central Region). The questionnaires were distributed in four separate batches (each batch to one of the regions) over a period of several weeks. This was not an ideal situation, but it allowed such activities as printing, copying, and delivering to be undertaken without the constraint of requiring that all of the initial telephone contacts be made, which proved very time consuming. As recommended by De Vaus (1986: p110) each batch was distributed in person by one of the team who was briefed on the research, its aims and the benefit of completing the questionnaire to the tourism industry in Libya as a whole. Members of the team were asked to distribute the questionnaire by hand and if possible obtain the answered questionnaire on the first visit, and firms who were willing to answer the questionnaire with the team member who

would offer (if asked) to assist them in explaining parts of the questionnaire that were not clear to them. If the business manager wished to answer the questionnaire in his/her own time the team member would ask for an appointment to come and collect the answered questionnaire preferably within one week of returning it.

The final response figures can be seen in table 5.2. The overall response rate was just over 29%, with this being spread quite evenly across the four regions with the exception of the central region, for which the rate was considerably lower.

**Table 5.2: Break-down of Survey Response**

<b>Region</b>	<b>Eastern</b>	<b>Western</b>	<b>Southern</b>	<b>Central</b>	<b>Total</b>
Firms contacted	60	110	70	10	<b>250</b>
Total sent	60	110	70	10	<b>250</b>
Replies	16	41	17	2	<b>74</b>
<b>Percentage</b>	<b>26.7</b>	<b>37.3</b>	<b>24.3</b>	<b>20</b>	<b>29.6</b>

All replies were received within four weeks of the initial distribution.

#### **IV. Questionnaire Design**

Saunders and Lewis (2000) comment that the validity and reliability of the data collected and the response rate achieved depends, to a large extent, on the design of the questions, the structure of the questionnaire and the rigour or the pilot testing. A valid question as Saunders and Lewis (2000) state would enable accurate data to be collected, while one which is reliable would mean that these data are collected consistently. Foddy (1993) made this point more clearly by discussing this in terms of the questions and answers making sense. He emphasises that the question must be understood by the respondent in the way intended by the researcher and the answer given by the respondent must be understood by the researcher in the way intended by the respondent. For this reason the pilot study was important to enable testing of the questionnaire. In attempting to achieve the highest possible response rate to the survey, the maximising of non-material rewards (such as feelings of doing something useful) and the minimising of the corresponding costs (time, frustration, and so on) are important factors (Dillman, 1978: p12-18). Time

was a particularly important factor in this survey as individuals were completing the questionnaire within a working environment, and so were almost certainly faced with more pressing issues. Minimising these “costs” is of particular interest here, as they are strongly influenced by the design, layout and wording of the questionnaire. In designing the questions, the researcher developed questions that would be understood by the owner-managers within the Libyan business environment which address the research objectives and hypotheses. Different types of questions including exploratory ones were included in the questionnaire such as open, category and scale questions.

### **V. Questionnaire Layout**

The standard procedure is to ask factual, easier to answer questions at the beginning of the questionnaire, and using these to “lead-in” to the more complex issues (Moser and Kalton, 1971, p346). Where possible questions were grouped together by issue, to provide flow and to make it easier for them to be answered by someone other than the recipient, if their knowledge was lacking in a specific area. Where necessary filter questions and “go to” instructions were used to avoid potential respondents losing interest when faced with questions that did not apply to them.

### **VI. Questionnaire Wording**

The basic aim is unambiguous, non-leading and concise questions. The problem that exists for many studies is the avoidance of jargon or technical terms in questions asked of the general public, where as in this case the main problem was to use language that was appropriate for the subject matter, and that would also have a consistent meaning for each respondent. This is normally achieved by the piloting of the questionnaire. This could not be done in a traditional sense of carrying out a “dummy run” survey as the “using-up” of a significant proportion of respondents would have been prohibitive; especially when the time and effort required identifying these respondents is considered. This type of problem is not such an issue in a survey of a large statistical population such as “the general public”- where random selection is employed.

In this survey the “piloting” process consisted of consultation with various stakeholders within the tourism industry, more general advice from survey experts within the Business School, and finally the sending of a draft questionnaire to a small number of SMTE managers for their comments. Questions that were potentially leading (that is predisposed to a given response) were avoided wherever possible. This was particularly the case with questions regarding “financial status”, or concerning developments which might be thought of as more “dynamic” or “progressive”; this type of problem has been referred to as “prestige bias” (Oppenheim, 1966: p62-4).

Dillman (1978) classifies four basic question types:

1. “Behavioural designed to establish what people do.
2. Belief concerned with what they think is true or false.
3. Attitude dealing with what they believe to be desirable.
4. Attribute for obtaining factual information concerning respondents’ characteristics.”

Dillman (1978: p80)

This survey differs from most others since the individuals responding were representing a firm as a whole, and so consequently most questions are of the attribute type, with a lesser number of belief (for example comments on the nature of various changes and developments) and attitude related questions (opinions on “best case” situations and the like). There are potential difficulties here due to situations where factual information might not have been readily available; answers may have been given on more of a “belief” type basis. It is also possible that the respondent’s attitude or way of thinking may have influenced any “best estimates” that were given in such situations. For a number of the questions requesting numerical information (for example percentages of total turnover deriving from various activities) respondents had the option of ticking a box indicating belonging to one of a group of broader categories. This was essentially to obtain a “ball-park” figure in situations when an exact-figure only answer would have been left blank, either because the information was not available, or because it was regarded as too sensitive by the respondent.

## VII. Questionnaire Structure

a) The first questionnaire was divided into five main sections as follows:

- *Company Background*

This section investigated data on the background concerning the characteristics of the firm in terms of age, ownership and legal structure, and the size of the business measured by the number of employees. The following criteria were used in this section:

- 1- Type of business
- 2- Size of business
- 3- Time in business
- 4- Location of the business
- 5- Overall performance of the business
- 6- Financial performance of the business
- 7- Number of employees (full, part-time and seasonal employees)
- 8- Employees' related issues such as recruitment and training.

- *Owner/Manager background*

The main purpose of this section was the collection of relevant data. The questions sought data on past experience of the owner/manager and previous links to the tourism industry, which included the following:

- 1- Past experience in management and ownership
- 2- Relation to tourism industry

- *Business Planning and Development*

Data on business planning and development was investigated in detail with regard to business performance in terms of financial turnover and number of tourists. The questions also concentrated on what applications planning were included in the business. For this section three elements were tackled, which are:

- 1- Future business development



- 2- Obstacles facing the business
- 3- Whether planning is on the agenda

- *The use of information technology (IT)*

This section sought data on the use of IT in the firms and the ability of the firms to effectively use the techniques available to develop the business. The questions also looked at which of the business activities are more important in terms of application of IT in those activities. It looked at:

- 1- Availability of IT
- 2- Uses of IT
- 3- The use of the Internet

- *Marketing and The Marketing Interface*

This section was central to the research and was therefore deemed the most important. The small business sector is an important contributor to the overall performance of the economy. Therefore, it is necessary to identify what marketing means to SMTEs and how planning for marketing is carried out and the budget allocation for the marketing activities. Furthermore, it looks at how the marketing interface is defined amongst SMTEs and the factors that affect the marketing interface and therefore the performance of the small firms.

- *The Marketing*

- 1- Marketing unit in the business
- 2- Availability of the marketing plan
- 3- Budget allocated for marketing
- 4- Marketing assessment

- *The Marketing Interface*

- 1- SMTE owner/manager's perception of the marketing interface
- 2- Factors affecting the marketing interface
- 3- Barriers to the marketing interface
- 4- Strategic planning and the marketing interface
- 5- Small firms' behaviour towards marketing theories

- *Business Support*

This section identified the relationship between the firm and public sector organisations. As a result it indicates some main positive and negative influences that affect business development and what the government should do to encourage small businesses. Another question was included in this section to indicate the relationship amongst SMTEs themselves.

- 1- The importance of local tourism offices
- 2- The role of local tourism offices
- 3- The role of the General Board for Tourism
- 4- Firm's relations to local communities
- 5- Firm's relations with other businesses

b) The second questionnaire was divided into three main sections as follows:

- *Personal details*

This section considered information about the person (tourist) including details such as:

- 1- Age
- 2- Gender
- 3- Occupation
- 4- Annual Income
- 5- Region of origin

- *Tour Packages*

This section surveyed the type of tour taken and whether it meets the expectations, exceeds or is less than expected before touring the country.

- *Rating of the services*

Fifteen standards were selected to identify how the tourist would view tourism in Libya, as well as the overall rating of Libyan tourism.

### **VIII. Data Checking**

Errors can occur during data input. To detect these, should any arise, three methods of data checking were employed (as recommended by De Vaus, 1986; Dillman, 1978; Moser and Kalton, 1971). A simple comparison of data on hard copy questionnaires and data entered in the replied cases in the SNAP software was carried out, which would eliminate any differences between the two.

### **IX. Secondary Data Sources**

In order to build an albeit limited profile of non-responding firms, the following secondary sources were used: the GBT quarterly bulletins; Libyan Chamber of Commerce records on companies registered; Libyan High Planning Commission report on the tourism industry; the Libyan Tourism Master Plan. From these sources it was possible to build data on numbers and types of businesses within the tourism industry, problems facing the tourism industry, location of the business areas and type of ownership, against which to compare corresponding data from the questionnaire. This data is subject to the usual problems of not being totally up to date (for example the Tourism Master Plan was initiated in 1998 and had never been evaluated), sometimes lacking in detail, and not being wholly complete (the quarterly reports are mainly derived from WTO data). Despite these drawbacks, the available information did allow some investigation into potential non-response bias (Armstrong and Overton, 1977).

### **X. The pilot study**

Saunders et al (2000) explained the purpose of the pilot test as follows:

*A Pilot test is to refine the questionnaire so that respondents will have no problem in answering the questions and there will be no problems in recording the data (Saunders and Lewis, 2000).*

Having pilot tested the questionnaire; the researcher obtained some assessment of the question's validity and the likely reliability of the data collected. It enabled the researcher to ensure that the data collected was sufficient to answer the investigative questions in the questionnaire. The importance of the pilot test was stated by Bell (1999) who advised researchers to give the questionnaire a 'trial run', as without one, it is very difficult to know whether the questionnaire will succeed. One of the main advantages of conducting the pilot study was the translation of terminology from English to Arabic (e.g. the legal form of the business and the financial statements used by the firm). Exact translation was not appropriate with all the questions; therefore, the appropriate Arabic terms were used to make the questions clearer. The terms used in the Arabic version were discussed and approved by some lecturers in the Faculty of Commerce in Damascus, to avoid any misinterpretation or misunderstanding. Most of the respondents in the pilot sample commented that the questionnaire was too long. They suggested a shorter questionnaire to enable the majority of the questions to be answered. Some questions were removed from the questionnaire because they were less important than other questions included in the final version.

#### **XI. The major changes**

The following major changes were made:

- A question about company annual turnover was removed.
- Several questions about the exact number of tourists to the business were changed to questions considering last year's figures in comparison to the year before.
- Some external factors related to the government's support to the small business sector were changed to the role of the General Board of Tourism to avoid blame being attributed to the government by SMTE owner/managers.

As the questionnaire was somewhat lengthy the majority of the respondents made the suggestion of changing some of the open questions to category questions.

## **XII. Non-response: Problems and Solutions**

Non-response to a survey can create two main problems: an unacceptable reduction in sample size and bias (Bauer and Aarts, 2000; Oppenheim, 2000). The first of these problems can be tackled by employing means to reduce the level of non-response. The problem of potential bias will remain whatever the level of response, as non-respondents may be different from respondents in important ways, and an increased response rate will do nothing to produce the correct proportions of representation of SMTE owner/managers. This issue is examined in more detail in the next section. Here we will concentrate on the methods of attempting to achieve a satisfactory response rate, and therefore as large a sample size as possible.

## **XIII. Concluding Statement**

From the previous sections it would seem reasonable to conclude that the respondents to the survey are broadly representative of the population of SMTEs. At the same time it must be taken into account that the comparisons were made with data on a limited number of variables from a variety of secondary sources, all of which have their own inherent problems and biases.

### **5.5.1.2. Interviews**

Potential interviewees were contacted by telephone to arrange an appointment, and a brief indication of the issues to be discussed was given. A letter explaining the research being carried out and the need for interviews with a description of the topics for discussion was shown to interviewees at the beginning of each interview. Care was taken not to prejudice any of the responses by giving out results from the questionnaire survey.

The mechanistic approach to qualitative methodology recommended by McCracken (1988) suggests that interviews be taped, and then transcribed verbatim by a professional audio-typist, to avoid the selective recording of responses which may occur otherwise. However, in this survey no recording was taken since most interviewees were reluctant

to having the interviews taped. It is a common practice not to record interviews. This is encouraged by the fact that not recording would normally result in a more free interview and statements being made more liberally than when recorded. This is supported by Lincoln and Guba (1985), Patton (1989) and Seidman, (1991). Another problem with recording interviews is that the frankness of the answers given may be restricted by the taping of the interview, or even that an interview under such conditions may be refused altogether.

For the interviews in the present research, notes were taken directly onto the schedule during the period of discussion, and were written up as soon as possible afterwards to include additional information that was remembered but not recorded during the interview. The principal drawbacks of this method are the loss of forgotten information, and the potential for interviewer interpretation of answers given. However, the approach adopted was the only practical solution, given the difficulties involved with recording mentioned above.

The importance of keeping the generation and analysis of interview data separate has been highlighted by Miles and Huberman (1984) and Lincoln and Guba (1985). In practice this proved difficult to achieve, especially as a function of the interviews was to raise new issues, which were then investigated in later discussions. As a compromise, Seidman (1991) suggests the avoidance of in-depth analysis of data until the series of interviews is complete, thereby avoiding the imposing of ones' own interpretation on answers as they are given in the later interviews. Efforts were made to concur with this approach throughout the series of interviews.

One of the main objectives of the study was to examine the impact of the marketing interface on the development of the small firm sector in the presence of different factors. Given the controversial nature concerning the marketing interface role in the success of small business, more focus was given to this variable. Therefore interviews were used in conjunction with the previous method of data collection (questionnaire) to aid in interpreting the results achieved by the multivariate analysis.

A series of eleven structured interviews was used to examine the issues best suited to open-ended, qualitative discussion. All interviewees were SMTE owner/managers, and some of them held other positions like director of the tourism society. These interviews had four distinct purposes;

1. To act as a check on the answers given to the questionnaire, for any questions which were consistently misunderstood, or for responses which were excluded by the options given in forced choice questions.
2. To examine and expand on issues raised in the questionnaire, especially where the respective open-ended questions were lacking in response, or where they were omitted altogether due to constraints imposed by the need to produce a questionnaire of manageable length, answers to this type of question are unlikely to be comprehensive enough to allow statistical analysis. Therefore, it is more beneficial to deal with these qualitative issues in an interview; fuller answers can be gained, and at the same time the length of the questionnaire is controlled.
3. To explore and examine issues that were not covered in the questionnaire. These were points suggested by responses to the questionnaire, or topics that were not suitable for inclusion therein, such as those that would have involved a long and complicated set of filter questions. In addition, the exercise provided interviewees with the opportunity to raise additional issues themselves.

### **1- Respondent Selection**

Respondents to the questionnaire were asked if they wished to participate in the interviews which would follow this questionnaire, twelve of these did so. Interviewees were selected from different regions to represent a wider geographical coverage. The interviews were mainly carried out with SMTE managers who have been active in their business. This meant that the sample of interviewees was not “representative” in the strict sense, but it was necessary to concentrate on the firms with the greatest potential to be more effective in the development of the sector within the industry.

## **2- Interview Structure and Content**

For the purpose of the interviews an interview handbook was prepared which had all the necessary information related to the structure of the interview as well as the questions to be asked. The handbook was to ensure the interviewer followed the number of steps that provide guidance throughout the interview session. The interview handbook was divided into five sections as follows:

- Section One: Introduction to the interview and what the interviewer should do to introduce the topic to the interviewees. It also includes mention of the confidentiality of the interview.
- Section Two: A list of expected interviewees with their job titles within their respected business.
- Section Three: Personal profile of the interviewee including name, company, position in company, history with company. It also included details of the interviewer, date, time and location of the interview.
- Section Four: Interview procedures on how the interviewer starts; continues through the interview, and what to do before the end of the interview and in closing the interview.
- Section Five: A diagram of the questions to be asked in their groups as mentioned below with each set of questions grouped together and arrows showing the next set of questions the interviewer should go to.
- Section Six: List of the questions according to their classifications as explained below.

The interview schedule used was designed to cover approximately one hour's discussion. This however, does not include the time allocated prior to the interview which was conducted informally to inform the interviewees of the research and discuss the questions to be raised in the interview and to ask whether the interviewee prefers to know any issues before commencing into the interview session. These pre-sessional phases were between 25-40 minutes. Interview questions were grouped together under specific headings:



- Personal Profile;
- Your Business;
- The Tourism Industry in Libya;
- Marketing and the Marketing Interface;
- Support for SMTEs in Libya.

A certain amount of question overlap between sections was inevitable. Within each section the questions deemed to be of greatest importance were highlighted on the schedule, so that these could be concentrated upon. Given the anticipated time constraints the actual time involved in each discussion varied from around thirty minutes to over fifty minutes. The questions at the beginning of each section tended to be simpler and more “factual” in nature, sometimes overlapping to a degree with those asked in the questionnaire, in order to act as a lead-in to the more complex issues. An outline of the principal areas dealt with is given below:

Personal Profile:

This section began with questions regarding the name of interviewees, company, position and time with the company.

Your Business:

This section looked at how the business deals with issues such as planning, information technology, business performance as well as financial performance.

The Tourism Industry in Libya:

This section considered the organisational structure of the tourism industry and how changes occurred over the period from first initiating the Ministry of Tourism to the present organisational structure of the industry. This was followed by similar questions concerning the relationship between SMTEs and the tourism authority, local communities and among SMTEs themselves. A common theme throughout the entire interview was the examination of issues with particular emphasis on changes occurring in recent years.

#### Marketing and the Marketing Interface:

Respondents were asked if the firm's role in marketing has changed in recent years, and if so, in what way these changes occurred. The central issue of this section then addressed that of how the marketing interface is perceived by SMTE owner/managers and how it might affect the firm's performance and in what way. Questions were then asked about the factors which influence the marketing interface.

#### Support for SMTEs in Libya:

This section considered the relations between SMTEs and other institutions within the industry including the tourism authority and how they anticipate the future of tourism within the framework applied now and what their future expectations are from the authority and other institutions.

### **5.6. Research Stages:**

The research used the following methods:

- Secondary data to assess the existing environment which exists in the Tourism industry in Libya.
- Quantitative methods to determine how the marketing interface could have a positive role in the development of small firms who participated in the survey questionnaire, including identifying how each of the factors involved in the marketing interface has been reviewed by the participating firms.
- Semi-structured qualitative methods to examine, in detail, the nature and importance of these factors and the relationships which currently exist to facilitate their implementation. A number of firms from the quantitative sample were selected for the research.

It is one of the primary aims of the research to understand "best practice" throughout the different industrial sectors in Libya. This approach is important to small and medium-sized tourist firms, as emulation amongst firms enables them to compare themselves

with the leading firms in their field and is an effective way of propagating “good practice” with regard to the marketing interface. The research was carried out in the following stages:

#### **5.6.1 Stage 1 – An assessment of the existing environment, which exists in the tourist industry in Libya**

This stage of the research set out the existing tourist environment, which currently exists within Libya. It draws primarily on existing research, secondary data sources and an e-mail survey of key policy makers. Secondary data sources include existing literature in the area, which consist of both published material and ‘grey’ literature (including reports from national bodies, universities and consultants). In addition, there has been an e-mail survey of key tourism policy makers in Libya.

#### **5.6.2 Stage 2 - Questionnaire**

This stage of the research consisted of three main sub-tasks. The first was to establish a population of suitable SMTEs, using the guidelines established in stage 1. From this a sample of firms was drawn up stratified by size and type. The second sub-task was the development of an initial questionnaire and a follow-up questionnaire. The initial questionnaire was a short two-side survey to gauge the significance of the marketing interface factors (MIFs). The financial performance of the companies in the study was measured to place the responses in some context. This was followed by a longer five double-sided questionnaire to obtain more in-depth information. The problem of the non-response rate to postal questionnaires, especially SMEs, was attended to by developing a strategy to deal with non-response bias (NRB) during design and prior to postal distribution (Armstrong and Overton, 1977). The final part was data collection using the questionnaire developed. The methodology used was hand delivery of the questionnaires. This was followed by data cleaning and input of data. The data gathered was examined quantitatively using the SNAP questionnaire survey package and the standard statistical software package, SPSS for Windows.

### **5.6.3 Stage 3 - Detailed qualitative analysis**

The objective of this stage of the research was a detailed qualitative analysis of the issues regarding the marketing interface factors arising from the analysis carried out in stage 2. There were face-to-face semi-structured interviews with a selection of firms returning questionnaires. Not more than sixteen firms were interviewed. Where possible, a face-to-face interview was undertaken with the owner/manager of the SMTE chosen. The interview instrument addressed the factors and barriers to success, and the relationships involved. From this a summary of the salient issues arising from the data was made using software such as SNAP and SPSS, enabling direct analysis and comparison between the different data available.

### **5.7 Difficulties experienced in conducting the research**

Libya is a developing country with an evolving economy. It is therefore not easy to compare Libya's economic development with other developed economies. The most fundamental problem that is more likely to emerge when conducting research in a developing country is the data-related problem. One should distinguish between the availability of data and access to data because each country has its own policies with respect to data protection. The reason for data unavailability in some developing countries may derive from policies that the government follows to protect the data they have from any outside agencies. The data collected in the current study can be divided into two types:

- Secondary data, and
- Primary data

For the collection of secondary data from the General Board for Tourism, Statistical Office and Chamber of Commerce, there was little restriction on access to the data for researchers, especially when mutual trust was achieved. Unlike some of the developed countries that have begun to offer more flexible options with the introduction of networks where the researchers can gain access to data on the net. It is not clear whether such facilities will be employed in Libya. The problem emerged when collecting primary data from owner/managers. The questions that faced the researcher were "How

the owner/manager could trust a non-government researcher? How the owner/manager could trust a researcher who works for a foreign institution?” Trust and confidentiality were therefore important to persuade the owner/managers to take part in the study. What remained to be addressed was a clear knowledge about the whole study and an understanding of the motives and consequences of taking part in the project.

Despite issuing the covering letter from the director of studies and another letter from the researcher (both on the University of Glamorgan Business School official letter head paper), some respondents were still hesitant to participate in the study. The majority of non-respondents and even some respondents thought that the researcher was working for the tax authority to collect taxes from employers, or to “chase” those who evaded paying taxes. Additionally, it was felt that if the research was carried out in winter, the response rate would be much higher as the temperature was around 45° C at the time of the study. This made it hard for the researcher to go from one public institution to another to collect data; and from company to company to distribute questionnaires. It was also difficult for the researcher to gain agreement with owner/managers to spare time and take part in the survey.

## **5.8 Conclusions**

In this chapter the major areas of research have been considered. Research methods chosen for the study were described and the justification for choosing the mixed methodology approach was discussed. The chapter presented the research stages from research design to data sources that showed how they contributed to the achievement of research objectives and hypotheses. It also stated problems encountered while conducting the research. This chapter has established the general rationale for the study. To enhance the success of the survey and overcome the unwillingness of the owner/manager to disclose information on the business, social and business networking has been used effectively to obtain the participation of targeted respondents

The next chapter presents the findings and analysis of the research survey

## **CHAPTER 6: RESEARCH FINDINGS AND ANALYSIS**

## **CHAPTER 6**

### **RESEARCH FINDINGS AND ANALYSIS**

#### **6.1. Introduction**

Chapter 5 evaluated the research methods and described the methodology used to provide data to investigate the research problem. This chapter presents the analysis and findings of the survey questionnaires and semi-structured interviews conducted for this research. The results of the questionnaire were analysed using the SNAP and the statistical package for social science (SPSS for windows version 11.0) software. The survey design was described in chapter 5. Findings and analysis are presented in relation to each of the research objectives, which include the findings from the SMTEs' questionnaire, the interviews and the tourists' questionnaire. They are presented as follows:

#### **6.2 Research findings and analysis related to research objective one: *to gain an insight of small and medium-sized enterprises within the Libyan tourism industry.***

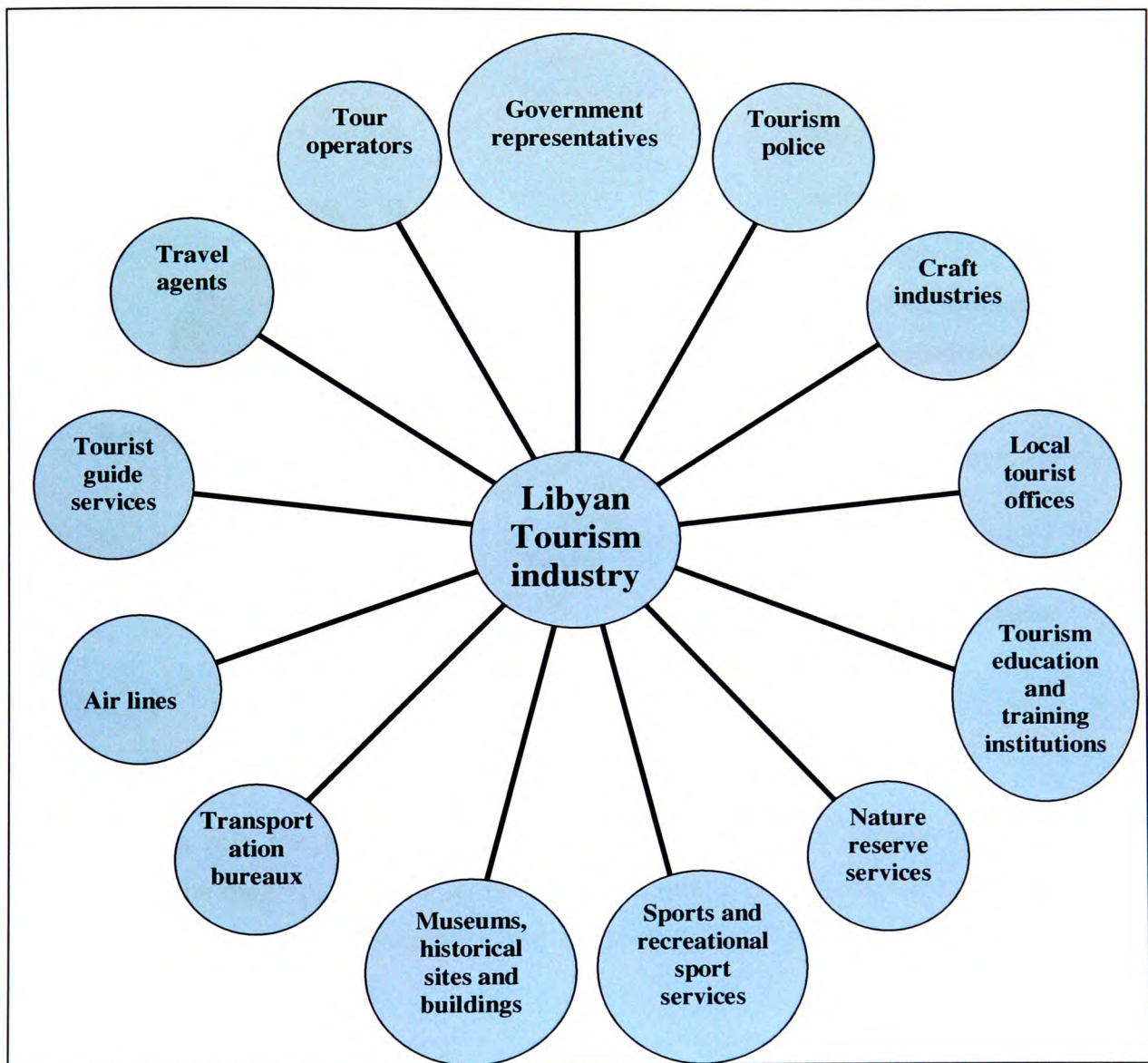
Due to the lack of research on Libyan Small and medium-sized enterprises in general and in the Libyan tourism industry in particular, and in order to evaluate the marketing interface within the Libyan small and medium-sized enterprises we need to view how the small and medium-sized enterprises fit within the framework of the Libyan tourism industry and its organisations. The research regarding objective one has been designed with three major sections. The first, deals with the tourism industry and its organisational framework. The second section reports the relationship between the public and private sector within the Libyan tourism industry. The third considers the small firm sector identifying what types of businesses operate in such an important sector as well as the type of ownership and year of establishment of the small business.

##### **6.2.1 The Libyan tourism industry**

At the time of conducting the study, The General Board for Tourism (GBT) was the highest authority in the government dealing with all tourism related activities in the country. The GBT was explained in more detail in chapter four where its objectives are

clearly listed. The main aim of the GBT was to promote the country as a tourist destination in the international market place. The industry consists of a range of businesses, institutions and organisations which represent both private and public sectors (see Figure 6.1 below).

**Figure 6.1: Components (Groups and Enterprises) of the Libyan Tourism Industry**

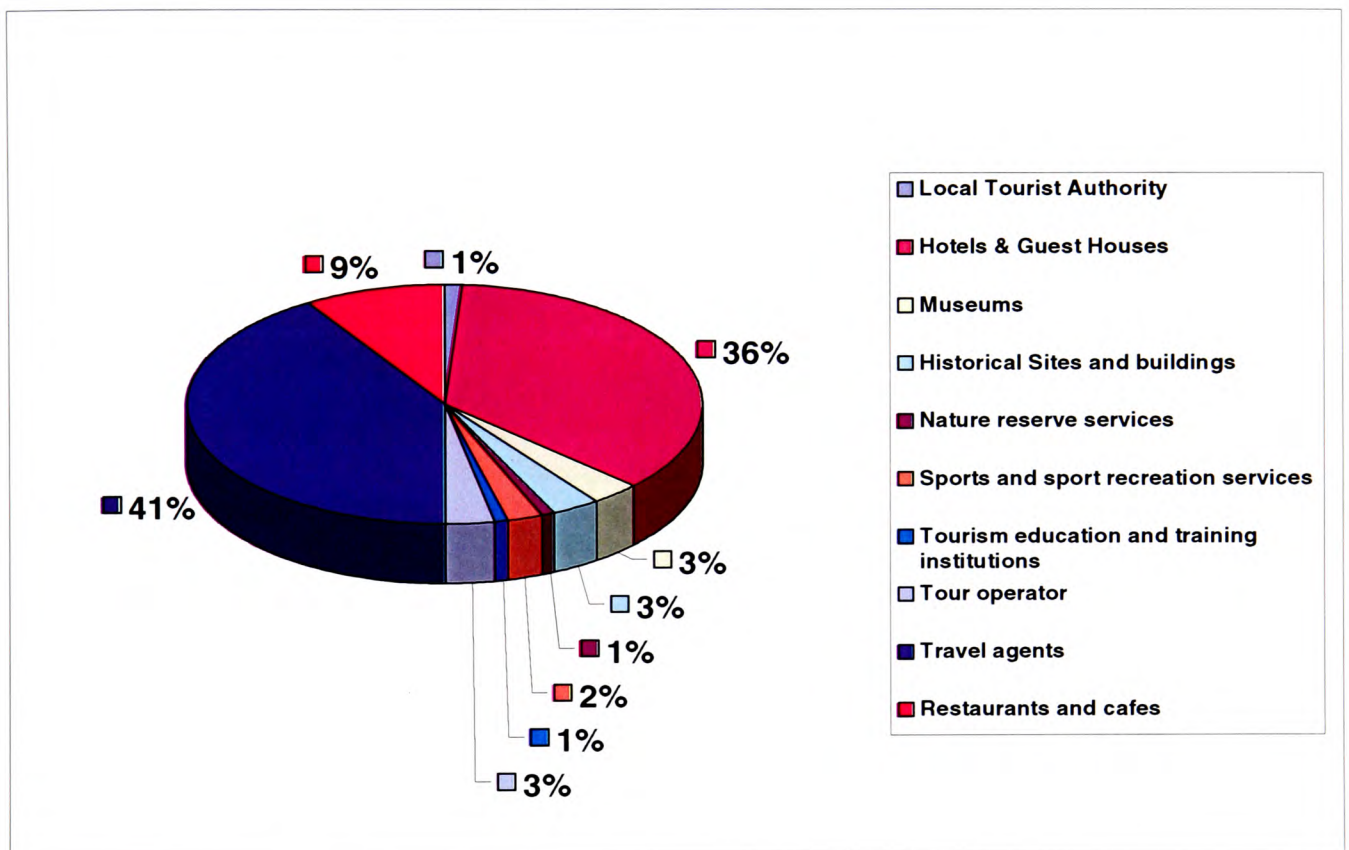


The majority of organisations forming the industry (99%) are considered small and medium-sized businesses; even those which are wholly or partly owned by public bodies

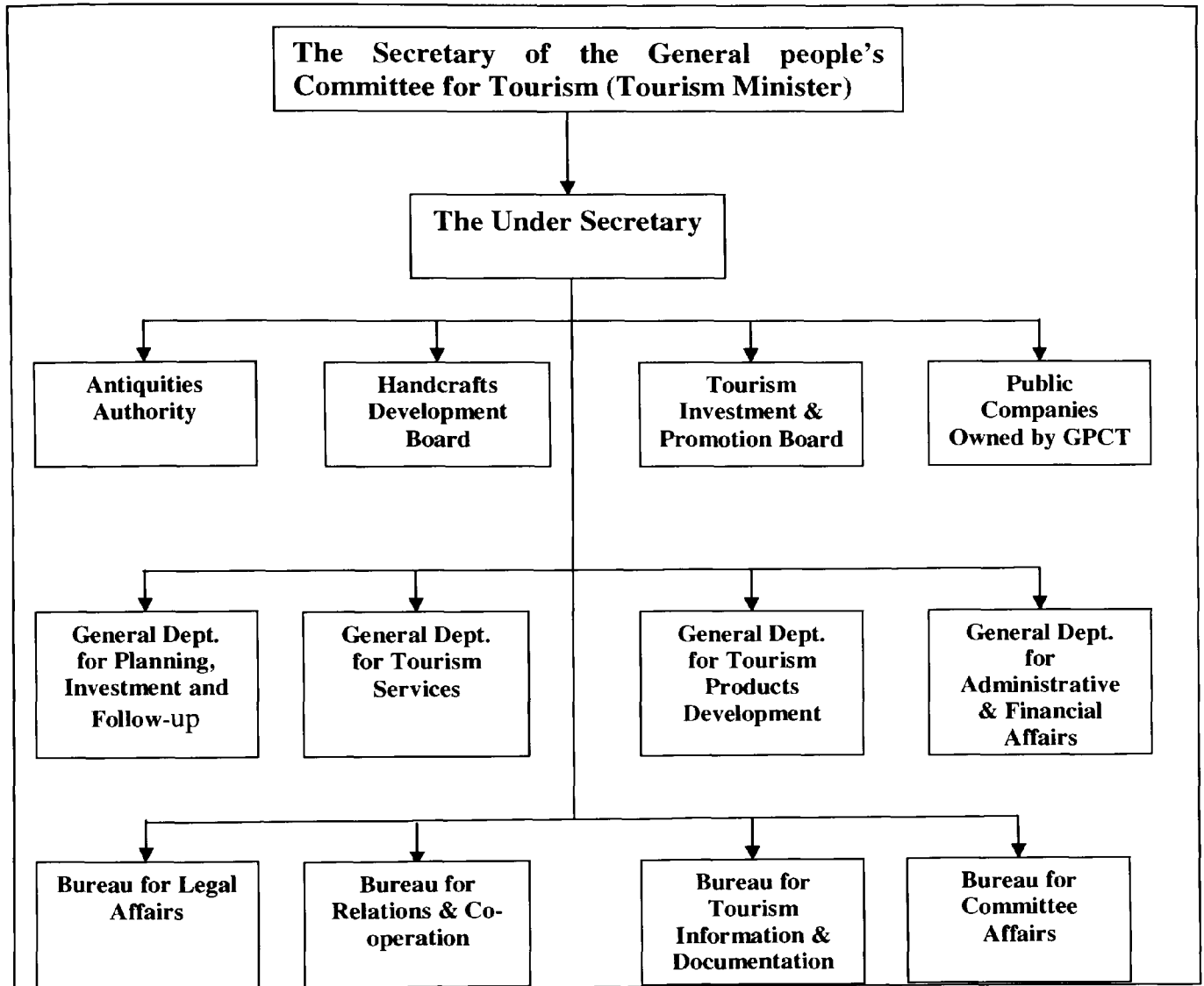


fall under the umbrella of small and medium-sized enterprises. The General People's Committee for Tourism (GPCT) (previously GBT) is the highest authority responsible for tourism affairs in the country. Figure 6.2 below shows the share of each group of enterprises in the Libyan tourism industry.

**Figure 6.2: Share of Enterprises within the Libyan tourism industry**



Details on the role the Ministry plays have been discussed in chapter four of this research, and the diagram of the organisational structure of the Ministry is shown below to provide the details of departments and authorities working under the Ministry of Tourism (see Table 6.1 below).

**Table 6.1: The Organisational Structure of the Libyan General People's Committee for Tourism (Ministry of Tourism)**

It is clear from the early discussion in Chapter 4, and the organisational structure shown above, that there is no unit responsible for the small firm sector even though they represent around 99% of the total number of enterprises working in the industry. However, the Ministry recognises the importance of SMTEs in developing the industry and acknowledges that there is a greater need to support and nurture the sector as well as involving it in the national development plan of the industry. This is evident in the way

the ministry invites SMTEs to participate in its promotional programmes especially the marketing of the country as a tourist destination in international fairs and events.

The questionnaires and interviews focused on the relationship between SMTEs as the dominant player in the industry and the GBT as the highest authority within the industry.

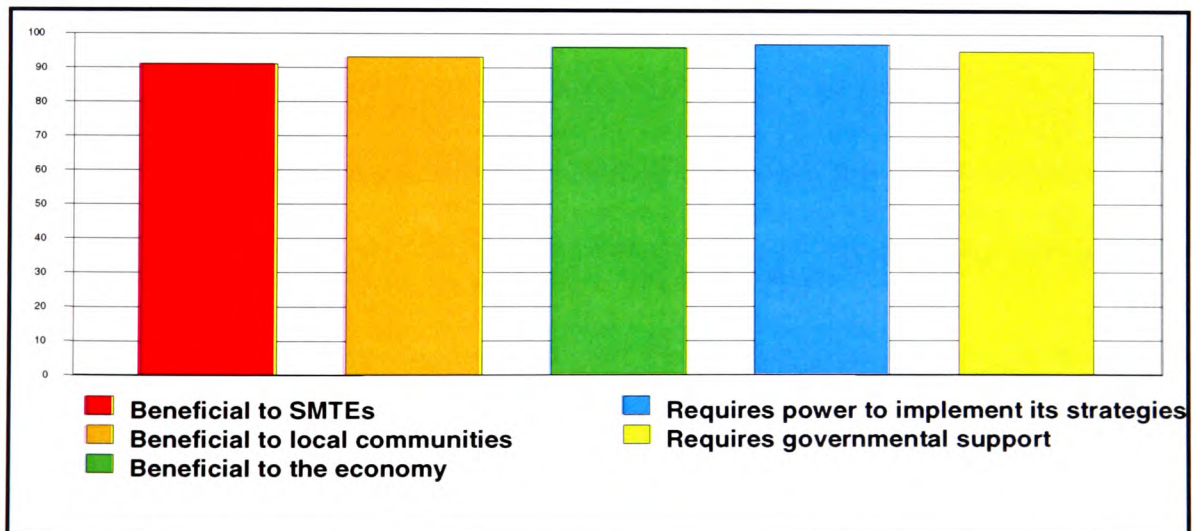
### **6.2.2 Relationship between the Public sector (tourism authority) and the private sector (SMTEs)**

This section considers the owner-manager's view of the Libyan tourism industry and the role of the government in particular. It considers the relationship between SMTEs and other institutions within the industry including the tourism authority and how they anticipate the future of tourism within the framework applied now and what their future expectations are from the authority and other institutions. The SMTE owner-mangers reflected two important issues regarding tourism in Libya. The first is that the industry has the opportunity to become a major distributor in the economy which will help in employment and job creation and improve standards of living. The second is the importance of government intervention in the development of the tourism infrastructure and supervision of activities related to tourism to ensure fair trade in the sector and to protect heritage that might be damaged by the overriding flow of tourists. This indicated the seriousness and importance of the role of the public sector in developing the tourism industry and protecting the local heritage and environment. To be more specific on the role of the government, it was requested how the owner-managers view the role of the General Board for Tourism (GBT) in developing the SMTE sector within the tourism industry, and whether that role is important or otherwise. All SMTE owner-managers agree that the GBT is the highest authority in tourism and that it is responsible for all activities within the industry. On the other hand, owner-managers expressed the lack of power of the GBT and that it has not yet risen to the challenges facing the industry, and therefore more attention should be directed to developing the industry.

The first question in this section considers how SMTEs perceive the GPCT in relation to their activity in the tourism industry. GPCT (formerly GBT) is considered the highest authority in tourism in the country. In relation to this a question considered the

relationship between SMTEs and the authority. Three positive and two negative comments were introduced to understand the relationship. The overall results support the negative comments more than the positive ones. The highest proportion (97%) supports the fact that the GPCT lacks power to implement its strategies as the ministry is still not considered one of the leading ministries that contribute to the Libyan economy, followed by 96% who think that the GPCT is important for the economy simply because there are no other units responsible for tourism within the Libyan government, and 95% who believe that the GPCT needs government support contrasting with 93% who think that the GPCT is important to local communities and finally 91% who regard the GPCT to be important to SMTEs as it should lead the development of the industry's infrastructure and regulate all organisations working within the tourism industry. All SMTEs agree that in order for the industry to develop the authority needs to provide the right environment to encourage such development. Figure 6.3 below shows SMTEs' responses.

**Figure 6.3: SMTEs' views on the GPCT (formerly GBT)**



Further views from the interviews support the results of the questionnaire which emphasise the role the authority should undertake for the development of the industry. One owner/manager described what SMTEs think of the current authority, he stated:

*“SMTEs need an authority that would nurture them and provide them with all the assistance they may require and set out policies that encourage more businesses to start and grow and also to overcome problems that might hinder their development, the GBT has a massive role to play in the development of SMTEs”.*

He further added:

*“So the industry could meet the economic expectations of its operations and become a greater contributor to the country’s economy”.*

A similar view by the owner-manager of CAPTIAN TOURS included:

*“The industry needs a lot of development and the infrastructure requires huge investment both national and international, the industry also requires policy formation to guide all companies working and wishing to work in the industry and the GBT is the body who should organise all this”.*

The owner-manager of RABAB TOURS supported the previous views, and stated:

*“SMTEs form part of the tourism industry and therefore any development for the industry should not miss out SMTEs’ development. The GBT must support SMTEs and provide the framework necessary to nurture them and increase their participation in the development of the industry and to help them in overcoming any problems that they might face”.*

He further added:

*“it is the body responsible for setting out plans for the development of the industry, and to assist all SMTEs in overcoming obstacles they may face, and more important to develop a framework for encouraging foreign direct investment in the industry which is urgently needed”.*

It is clear that SMTE owner/managers regard the tourism authority as vital, but they see the current situation as requiring urgent improvement to assist in the development of the industry. SMTEs regard themselves as important in promoting the country as a tourist destination but they also agree that this task requires more resources which the private sector on its own could not provide and therefore, the role of the government is vital for such an important step in the development of the industry. It appears that the potential for the authority is still there, but needs more organising, more involvement of other sectors related to the tourism industry and overall more power needs to be entrusted in the tourism authority. More co-operation between the public and private sector needs to

be encouraged and supported to enable the Libyan tourism industry to be competitive at regional and international levels.

While SMTEs lack confidence in the authority, there is a positive side to the authority in its attempt to develop the industry through the Libyan Tourism Comprehensive Development Plan, which is a joint sponsored programme between the Libyan Tourism Authority, World Tourism Organisation and United Nations Development Programme. The programme aims to develop a Tourism Master Plan for the Libyan tourism industry, and was executed by the High-Point Rendel Economic Studies Group (the Consultant) firm in the UK with co-operation from the National Consulting Bureau in Libya. The plan covers a period of 20 years from 1998-2018. There was considerable criticism of the plan, as there was no mention of the small firm sector within the Libyan tourism industry which forms 99% of all enterprises. SMTEs were not consulted during the research phase and therefore their role in drawing up this plan for the industry was non-existent. The absence of SMTE owner/managers in such an important plan made it appear “alien”, as one owner/manager commented:

*“A plan that was forced on the industry from outside institutions with no comprehensive knowledge of the local environment, and therefore would be very difficult to implement unless it is fully revised with more participation from the local industry people”.*

A further comment was put forward by another owner-manager who stated:

*“The plan ignored the role SMTEs play and what the government should do to make the sector more active, instead it concentrated on projects, marketing and manpower for the industry in general which in my view could not be translated into actions”.*

SMTE owner/managers resented the plan for the following reasons:

- the first being that the plan does not provide the framework necessary for the development of SMTEs and there is no mention of the role SMTEs play in the development of the industry;*
- the sector was not consulted in such a major programme for the industry for which they form the majority of businesses within the industry.*

SMTEs are generally pessimistic about the plan in its current form and insist on the immediate overall re-assessment of the plan or the development of a new plan to meet the challenges facing the Libyan tourism industry in the context of development in the international travel and tourism market. There are more voices seeking to involve all parties related to the industry as well as representatives from other related industries such as transportation, security and the legal professions.

The role of SMTEs in the industry and their awareness of what needs to be done make the task of the authority even greater in developing the industry. This also leads to the fact that the authority has to acknowledge the role of the small firm sector in the industry through addressing issues related to their position and to address the small business sector and to work closely with all parties involved. The involvement of the small firm sector not only will lead to gains from the pool of experience possessed by the small firm owner/managers but will also ensure the participation of the sector in the future implementation of any such plan the industry may undertake.

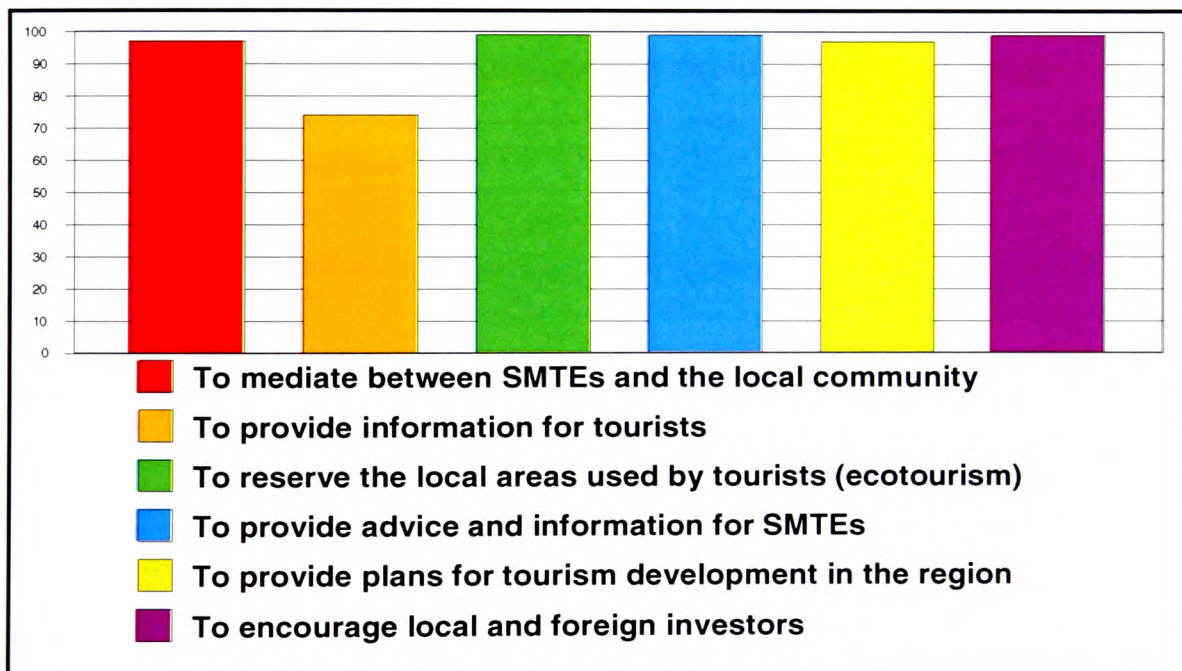
Another section related to the tourism authority is the role of the local tourist offices which are located geographically in the four regional areas of the country, Western, Eastern, Central and Southern regions, for ease of communications within the different parties working in the tourism industry. Although these offices are not very active in their role, as they still lack professional staff and the necessary funding for their operational activities, the survey shows that the overwhelming majority (96%) of owner/managers said that local tourist offices are essential to the development of the industry and only 4% thought that this was not the case. SMTEs who said that local tourist offices are essential have based their answers on the future role of these offices rather than what they are providing now which is considered by all SMTEs to be of little benefit to the industry. The others who do not see any benefits from these offices have based their answers on what they provide now rather than later and they see their role as minimised.

In relation to whether SMTEs think that local tourist offices are essential now, or might play a more important role at a later stage in the development of the tourism industry,



the following question identified the reasons for the importance of local tourist offices, with an option of six reasons. More than two-thirds of the SMTEs (74%) agree that all the reasons mentioned are genuine for the importance of local tourist offices. The overall majority of businesses (99%) consider that the importance of such offices lies in their role to preserve the local tourist sites, provide advice and information to SMTEs and tourists, and to provide regional programmes to participate in the country's plan to encourage national and international investors to the industry. A majority (97%) see the importance of mediating between SMTEs and local communities and to provide plans for the development of tourism and only 74% of businesses see them as information providers for tourists. Figure 6.4 shows the various responses SMTEs provided.

**Figure 6.4: Reasons for the importance of local tourist offices**



Local tourist offices do possess the potential to become an important part in the Libyan tourism industry as recognised by the SMTE owner/managers themselves when they express that they could play a strategic role in providing a plan for tourism development within their region which forms part of the overall structure of tourism in the country. Also SMTEs see themselves as an information point for all those interested in knowing more about tourism in the region including investors, tourists and tourism companies.

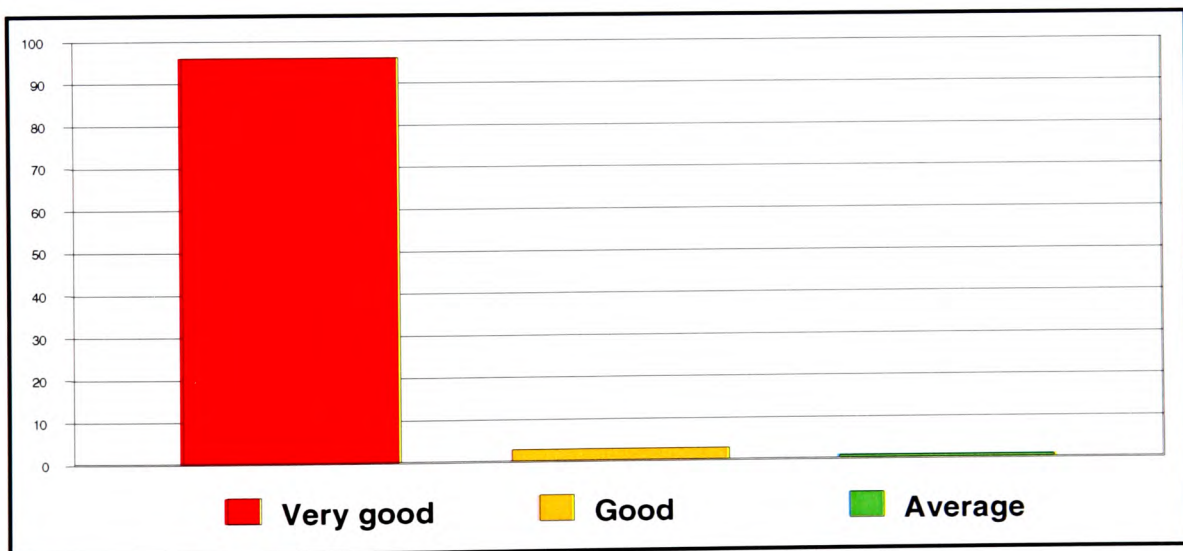


Another important issue for the local tourist office is the environment and to preserve the tourist sites within the region and protect such locations from vandalism and destruction which may be caused by human actions.

On the contrary, SMTEs' relations and communications with local communities are regarded as better maintained than those with the tourism authority. Research shows that most SMTEs (96%) have very good relations compared to only 4% whose relations are good, which is still an acceptable relationship.

A similar question considered the interrelations amongst SMTEs and other businesses in the tourism sector. The majority (96%) of SMTEs have very good relations with other businesses, only 3% said that their relations are best described as good and only 1% said they have average relations with other businesses. Figure 6.5 shows the relations amongst SMTEs themselves and other businesses within the tourism industry.

**Figure 6.5: SMTEs' interrelations with other tourism businesses**



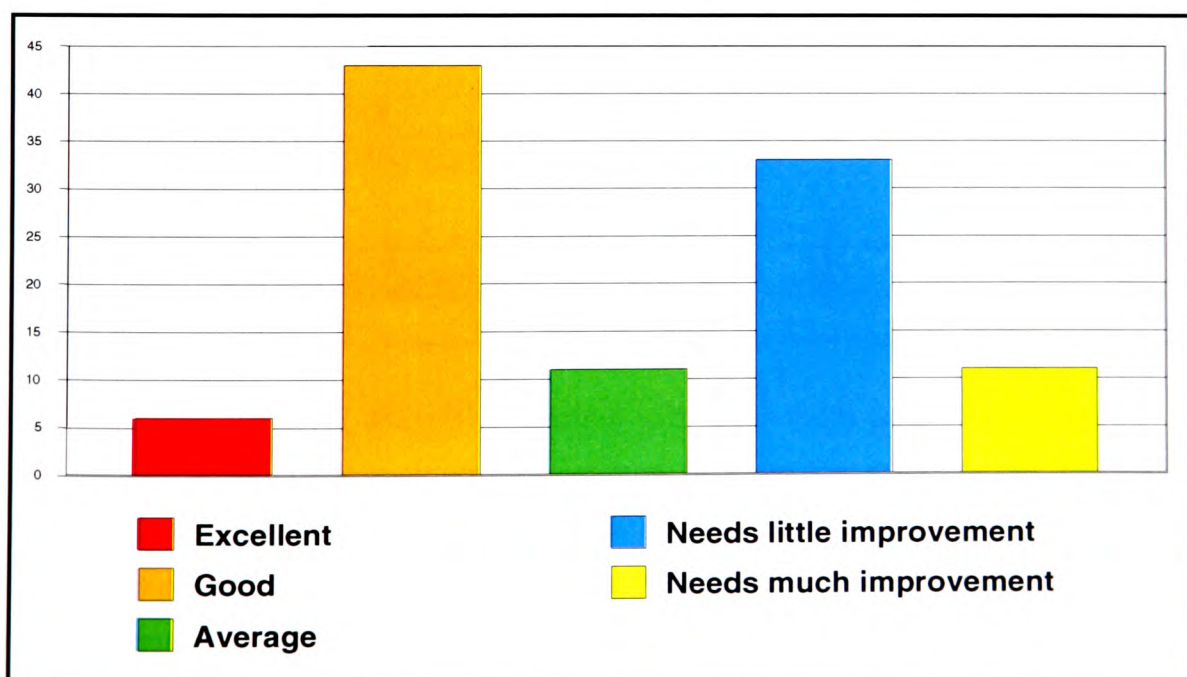
SMTEs' relations with each other and other businesses have been regarded by them as very good which results in good networking between SMTEs and other businesses. Many of them see their counterparts not just as competitors but to motivate their own business, and many SMTEs request assistance of others in relation to their activities and sometimes seek their advice on certain issues since they feel the other firm may have better knowledge than themselves.

### 6.2.3 Tourists' perception on Libyan tourism

This section provides an assessment of the work carried out by small enterprises in the Libyan tourism industry from a different perspective (tourists), where tourists who just completed their visit to Libya (first hand experience) and on departing the country (tourists from different countries with different tour operators taking different tour packages, whose visits varied from seven to fourteen days) were asked for their assessment of Libyan tourism. The majority of tourists arriving in Libya are from European Union countries. Commonly tourists' age varies from 45 to over 60 years, with an annual income of over US\$30.000.

The assessment of tourists concerning the Libyan tourism industry varied from excellent, good, average, needs little improvement and needs lots of improvement. Less than half of the respondents (43%) said that Libyan tourism is good and one third (33%) said it needed little improvement. A further 11% said it is average, 11% said it needs a lot of improvement and only 6% said that Libyan tourism is excellent. Some replies included more than one answer (i.e. tourism is good and needs little attention). Figure 6.6 shows the results.

**Figure 6.6: Tourists' Rating of Libyan Tourism**



The majority of tourists stated that their holiday package provided by the Libyan tour operator (SMTE) was as expected but they also believe the tourism industry in the country does require immediate attention from all those responsible for the industry. Table 6.2 illustrates how tourists rate different criteria of their tour package.

**Table 6.2: Tourists' Assessment of the Tourism Criteria applied to Libya**

CRITERIA	TOURIST RATING %				
	Excellent	Very good	Good	Poor	Very poor
Accommodation facilities	5	16	26	29	24
Choice of food	7	9	25	52	7
Visa procedures	25	15	13	40	8
Friendliness of staff	41	43	13	2	2
Availability of information	4	5	60	21	11
Variety of tour packages	13	28	54	5	-
Prices/value for money	4	16	64	15	2
International flights	5	5	84	5	-
Land transportation	3	33	53	10	-
Sightseeing	68	27	5	-	-
Use of credit cards	3	-	5	3	90
Postal service	3	8	71	13	5
Tour operator services	15	32	54	-	-
Climate	26	52	15	7	-
Safety and security	39	53	8	-	-

It is clear from Table 6.2 above that tourism still needs more attention and in order to meet tourist expectations, a closer co-operation between the authority and the SMTE sector needs to be undertaken. It is the tourists' judgement that indicated that even the SMTE sector is still deficient and needs more improvement to make it more competitive in the international market. It is the Authority's role to oversee that the SMTE sector

develops and to provide all the necessary support and guidance to make this sector more efficient and effective which in turn will assist in developing the tourism industry in the country as a whole.

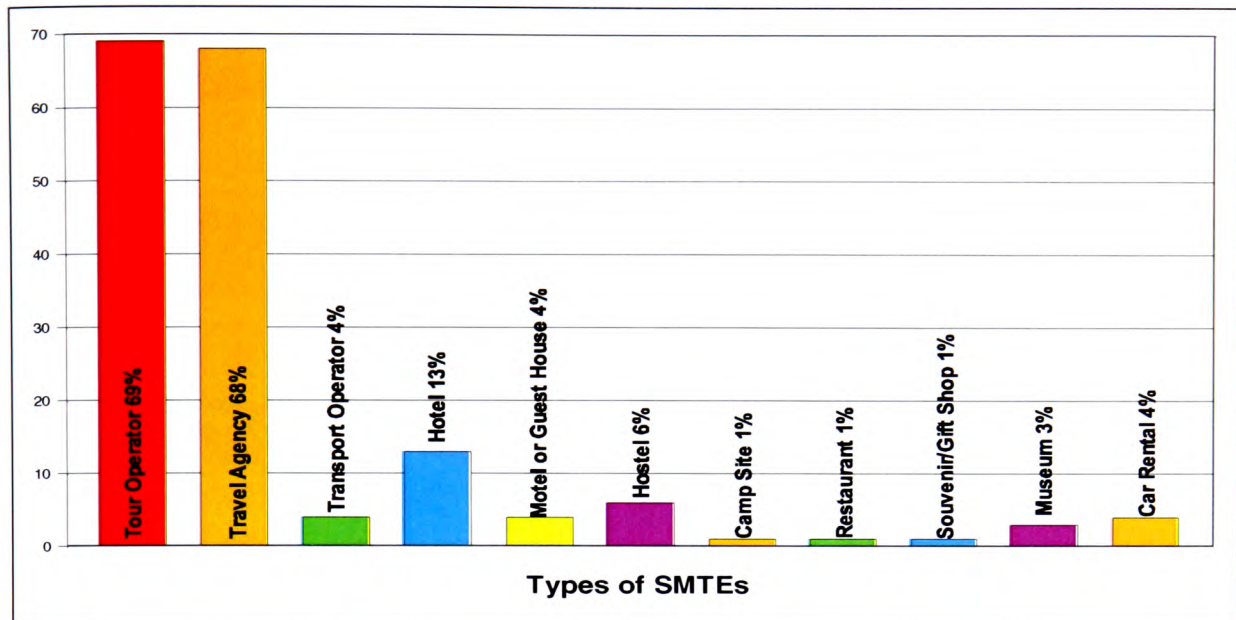
#### **6.2.4 Libyan Small and medium-sized tourist enterprises**

In the previous section of this chapter the Libyan tourism industry was analysed and its major parties, which represent both public and private sectors, were identified. This part of the research considers small and medium-sized enterprises within the Libyan tourism industry. It explores the types of enterprises forming the small firm sector, and what type of ownership most SMTEs fall under. It considers the location of SMTEs and whether they operate any offices in countries where Libya is promoted as a tourist destination. It investigates the small enterprise profile to identify characteristics SMTEs hold in relation to the number of employees, offices and branches, connections with national and international institutions and societies.

##### **6.2.4.1 Type of business**

In order to identify the type of business according to the World Tourism Organisation's classification (WTO, 2000b), a list of thirteen types of tourism businesses was drawn up ranging from tour operator to accommodation outlets to restaurants and cafés with the option of "others" for any other types of tourism businesses not included in the list. The results show that most enterprises are involved in more than one type of business. More than half (68%) of the businesses that participated in the survey are involved in tour operating and travel agency work, and a smaller proportion of those firms are engaged in other sectors of business like car hire, hotel ownership and management, transport services and camp sites. Most of the hotels are medium-sized enterprises with more than 50 employees, while the majority of restaurants and souvenir shops are micro businesses with less than 10 employees. Figure 6.7 shows the types and the percentages of the businesses.

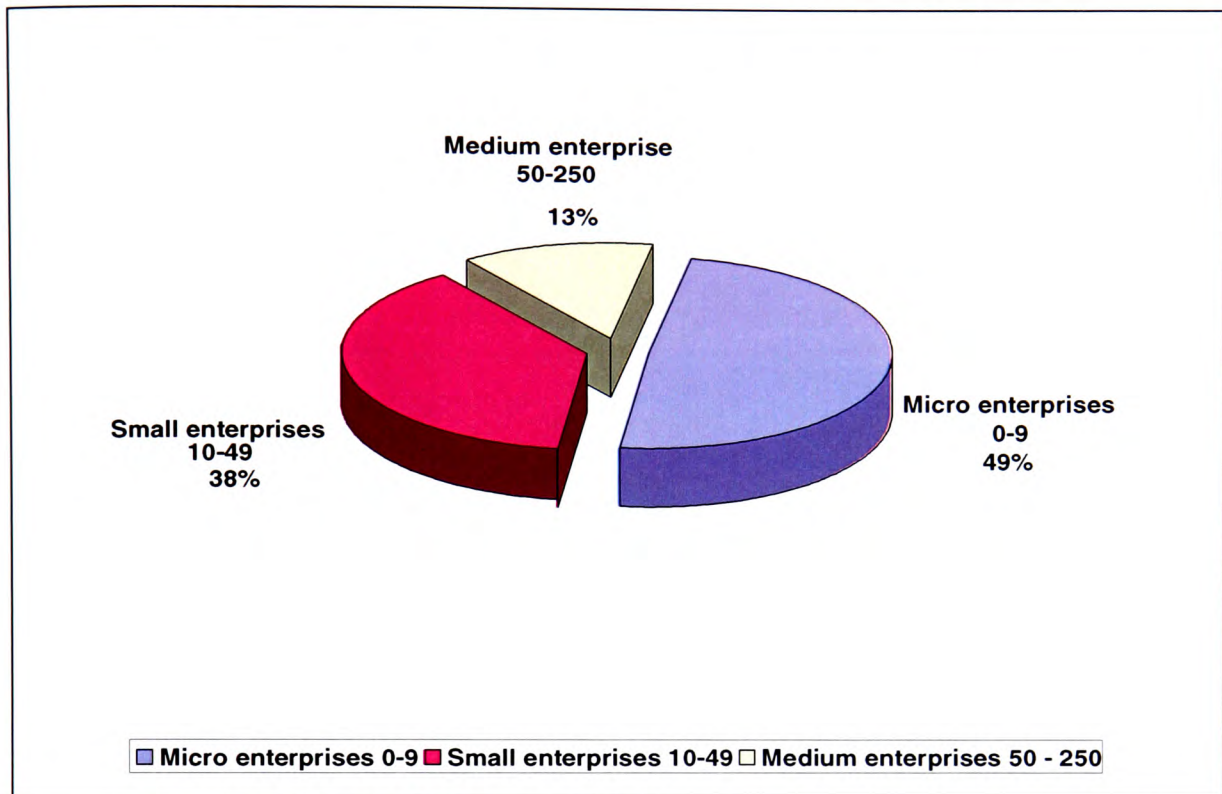
**Figure 6.7: Types of SMTEs operating in Libya**



For the purpose of this research the definition provided by the European Community EC (ESRC) is the recommended definition, which states that enterprises are divided into three categories:

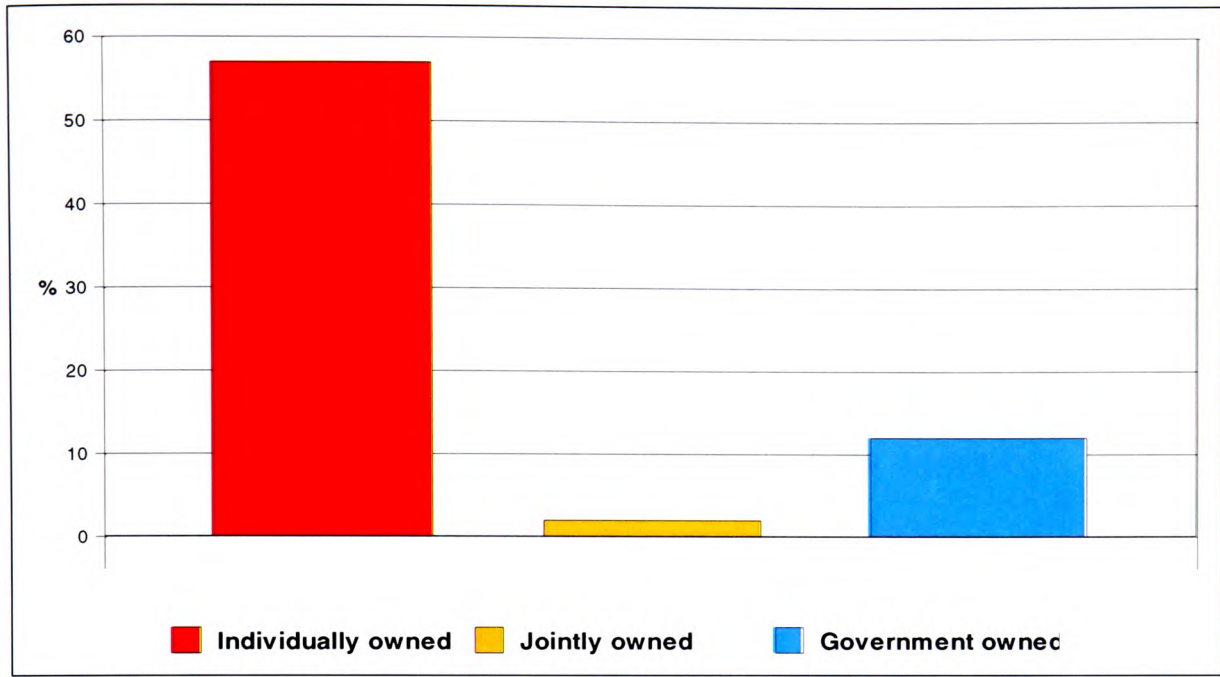
- “Micro enterprise - Fewer than 10 employees. Turnover of less than €2 million
- Small enterprise - Between 10 and 49 employees. Turnover of less than €10 million
- Medium enterprise - Fewer than 50 and more than 250 employees. Annual turnover less than €50 million.” (ESRC, 2003)



**Figure 6.8: Share of Enterprises by number of employees**

#### 6.2.4.2 SMTEs' ownership

The type of ownership (license according to Libyan laws regarding company formation and types of companies) SMTEs operate under was identified. The results show the non-existence of any SMTEs being part of an international chain with more than three quarters (81%) individually owned with the financial backing of families and friends who in return receive a share in the business. Few businesses are owned by the government (17%) like hotels, museums and hostels, and almost all tour operator and travel agents are private companies, and a small fraction of businesses (2.8%) are joint ventures between the public sector (government) and the private sector (individual investors). Figure 6.9 shows the percentages according to the company license category.

**Figure 6.9: SMTEs Ownership**

The interviews further reveal that owner-managers were involved in different forms of ownership of the business including family, friends and other forms of ownership where more than one person (unannounced) have a share in the business. Here 27% stated that it was a family owned business, but the majority (46%) stated that the business is owned by a group of close friends who knew each other before starting the business. This shows that social relationships play an important role in the creation of new private sector businesses. Table 6.3 represents the distribution of businesses by ownership amongst interviewees.

**Table 6.3: Small Businesses Ownership**

OWNERSHIP	NUMBER	%
Family owned businesses	3	27%
Friends owned businesses	5	46%
Other forms of ownership	3	27%

### 6.2.4.3 Geographical location of Businesses

The statistics provided by the GBT's Tourism Services Department (only tour operator and travel agents are included in their data) indicate that more than half the businesses (61%) are based in Tripoli and the West, and 4% are based in Benghazi and the Eastern region, and 32% are based in Sebha and the Southern region and only 3% are based in the central region. The results show similar figures with greater differences in the Eastern region. Table 6.4 below shows the locations of SMTEs in Libya in each of the four regions.

**Table 6.4: SMTEs' Locations among the four regions**

REGION	WESTERN	EASTERN	CENTRAL	SOUTHERN	ALL REGIONS
Number of Businesses	41	16	2	15	74
% of Businesses	55 %	22 %	3 %	20 %	100 %

All SMTEs are locals based in the country. With regard to whether businesses have other offices located in the country or outside the country over one third (35%) of these have a second office in the country (i.e. at tourist attractions or other tourist regions) and only (4%) have an office in other countries.

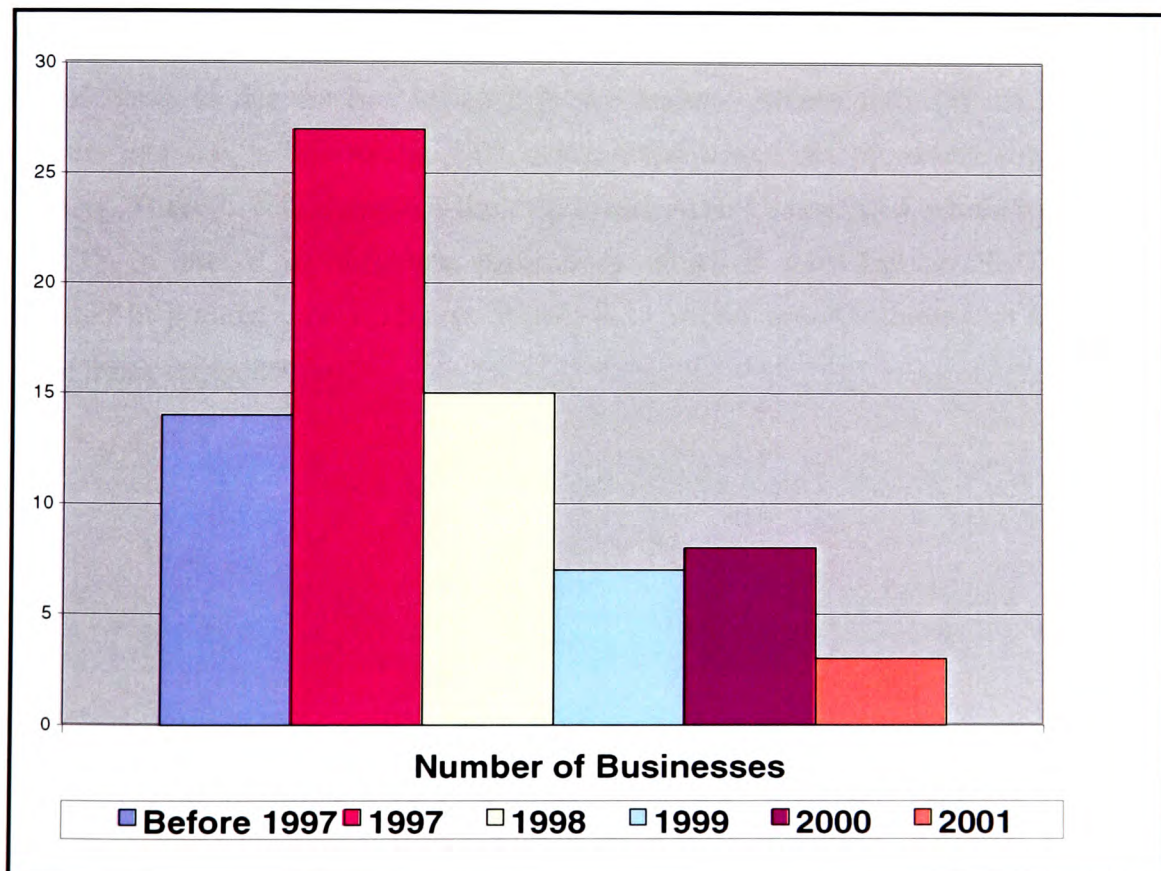
### 6.2.4.4 Establishment of business

The significance of tourism was first recognised by the government in 1997 as tourism activities were regarded as an alternative to the oil industry to allow the government to proceed with its diversification plans and was also the year the Libyan Ministry for Tourism signed a contract with the World Tourism Organisation to carry out what later became known as the Libyan Tourism Master Plan. This year witnessed the start of tourism activities in the country where local tour operators and travel agents were licensed to operate and promote the country as a tourist destination in overseas countries. This explains why more than 70% of firms are less than five years old.



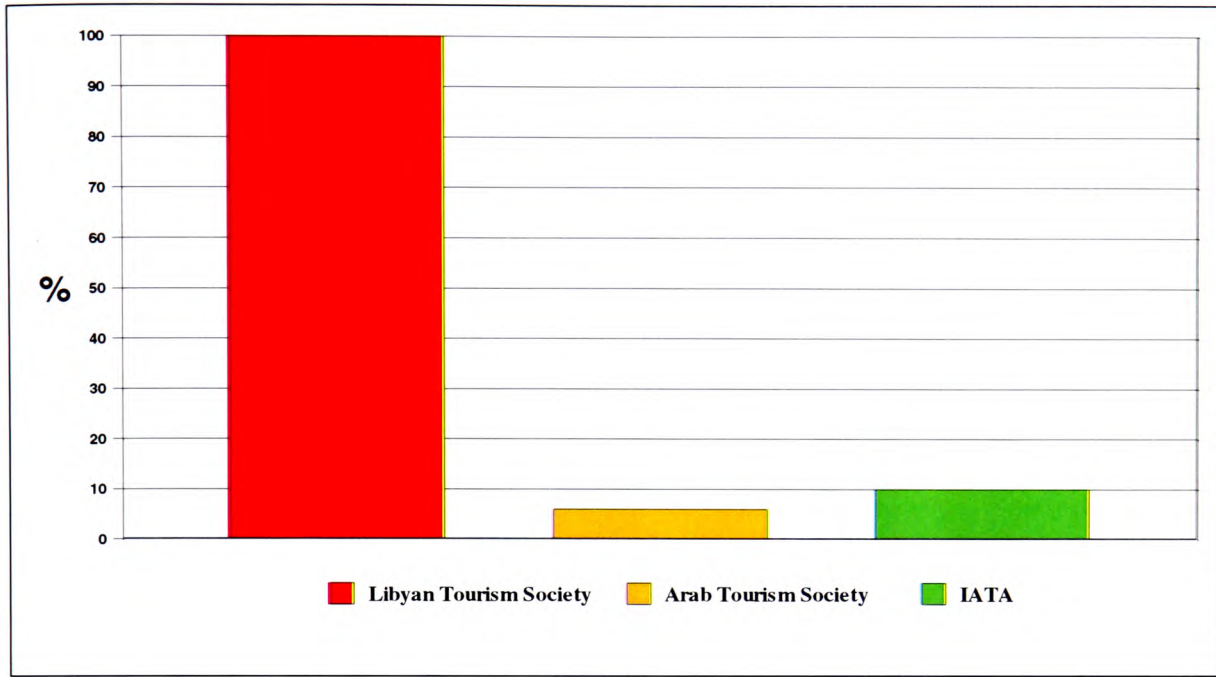
The tourism industry is relatively new in Libya and most businesses have been operating for less than five years. The majority of businesses in the survey (38%) were established in 1997 which represents tour operators and travel agencies. Businesses running before 1997 represent 18% of the sample and most of these are hotels, hostels and restaurants. The year 1998 witnessed the creation of more new businesses (20%) in the tourism sector, and this was followed by 9% in 1999, 8% in 2000 and 4% in 2001. This distribution of businesses does not mean that there are no new businesses, or the new businesses are declining in the following years, but merely represents the sample of SMTEs which includes both new and old businesses operating in the sector. Figure 6.10 shows the actual number of small businesses within the tourism industry according to their year of establishment.

**Figure 6.10: Number of SMTEs and Year Established**



#### **6.2.4.5 SMTEs and tourism non-governmental organisations**

How many SMTEs belong to non-governmental organisations (NGOs) was determined in Libya, the Arab region and internationally. The first and only, NGO in the country is the Libyan Tourism Society (LTS) which was formed by SMTE managers with the support of the tourism authority which encouraged all SMTEs to register and gain the benefits that might arise. All SMTEs (100%) are members of LTS as they see it as the channel that will represent their views to the government regarding all issues related to the tourism industry. However, SMTEs owner/managers fear that unless the society strengthens itself and becomes the advocate of the small firm sector, it may end up as being just as ineffectual as the Arab Tourism Society. Only 10% are members of IATA which provides support for travel agents. This is due to the high fees charged by IATA which most small firms find as unbearable costs to their small business, but they still view being a member of IATA has its affect in promoting them to the international markets and this is the reason why most of them are considering joining IATA in the very near future. The other NGO is the Arab Tourism Society (ATS) - which is the Arab League's arm in the tourism industry in the region - where only 6% of SMTEs are members and this is due to the ATS being inactive and not providing support for its members. There is a dialogue on the role of the Arab League as a whole to the region and ATS is one of its forgotten institutions which is why Libyan SMTEs are not interested in joining such a society. Figure 6.11 shows the distribution of membership among those organisations.

**Figure 6.11: Libyan SMTEs and Membership of Non-governmental Organisations**

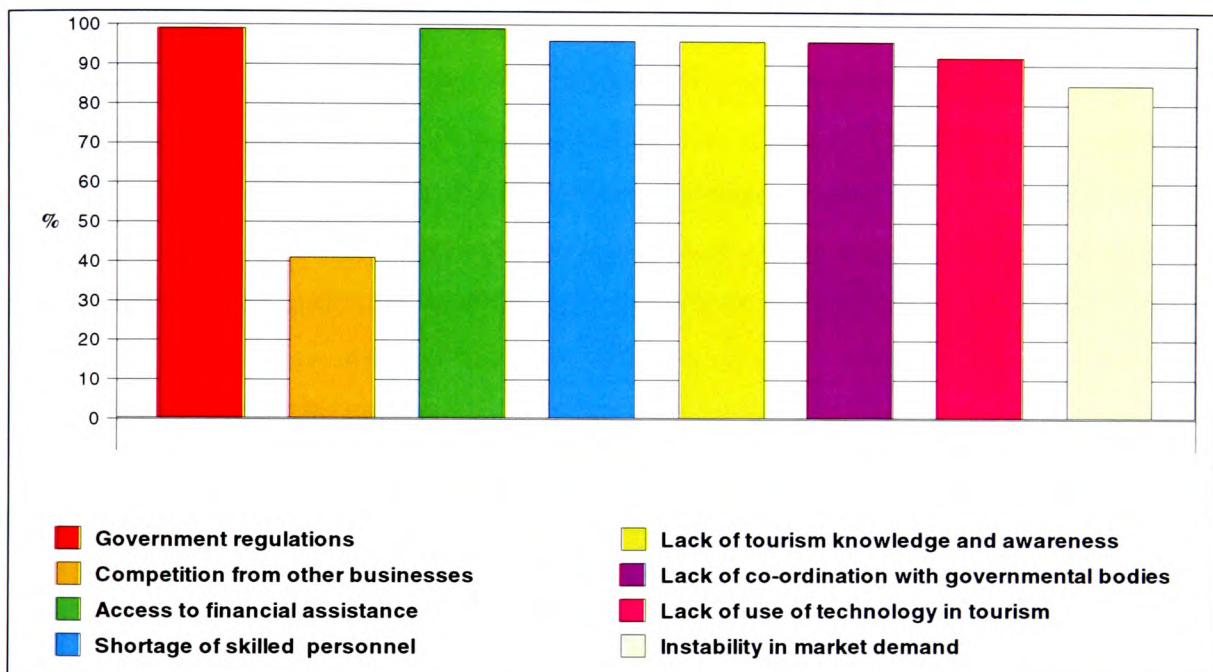
#### 6.2.4.6 Barriers to SMTEs

The issues SMEs see as standing in the way to success are regarded as obstacles which may be internally controlled by the firm or are external and fall outside the boundaries of the firm. SMEs in the Libyan tourism industry face a range of obstacles which are observed by the sector as being barriers to their development, growth and success. These obstacles (both internal and external) include government regulations and a shortage of skilled staff. The aim was to find out how each of these barriers may be a threat to small business growth and development as seen by SMTE owner/managers. The highest proportion (99%) considered government regulations and financial assistance as being the most threatening of all mentioned threats. As explained earlier the role of the tourism authority still lacks credibility amongst SMTEs which in their interpretation poses a threat to the development of the industry, and with reference to finance all SMTEs rely on private and personal funding sources due to poor financial services provided by financial institutions which are all publicly owned. Although the law has allowed private financial institutions to operate in the country, there is still distrust of the system that is



hindering private organisations to work in the country's financial market. Nonetheless, all businesses see that all barriers mentioned provide a large threat to businesses ranging from instability of market demand (85%) to a lack of tourism knowledge and lack of co-ordination with government bodies (96%). Only competition from other businesses was rated low (41%) which is still reasonably high. Figure 6.12 shows how each obstacle is perceived by the sector.

**Figure 6.12: Obstacles Facing the SMTE Sector**



As already noted the majority of businesses within the Libyan tourism industry are small and medium-sized tourist enterprises (SMTEs). Most of these businesses are individually owned and the rest are either government owned or in the form of a joint venture between the public and private sectors. It is worth mentioning here that all SMTE businesses operating in the country are non-foreign owned companies which are regarded as economically strong since money is not “leaked” through foreign businesses. In terms of location, more than half of the enterprises are located in the Western region and more precisely in the capital Tripoli, as SMTEs regard Tripoli as the starting point for all tourism activities and it is the commercial and business capital of the country.

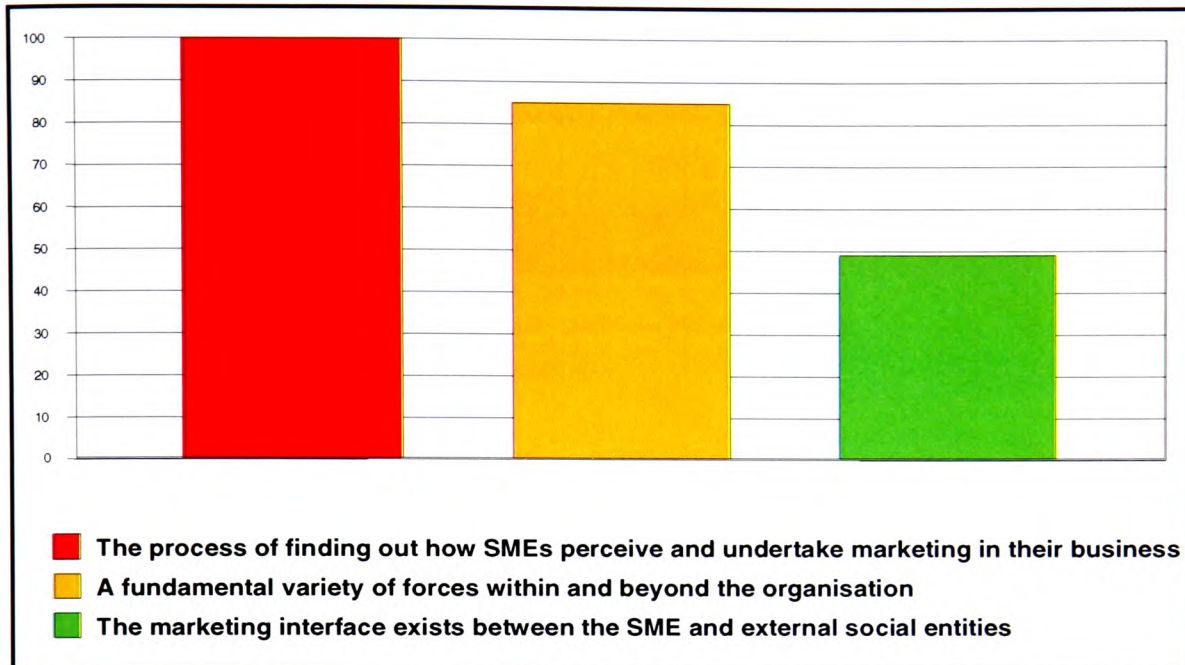
**6.3 Research findings and analysis related to research objective two:** *To determine the key dimensions and parameters of what constitutes the marketing/entrepreneurship interface for Libyan tourism SMEs.*

### **6.3.1 Libyan SMTEs and The Marketing Interface**

This section considers how the marketing interface is identified amongst SMTE entrepreneur/owner/managers and examines the cultural difference existing between SMTEs and other social entities. It further investigates obstacles facing SMTEs in their marketing and to what degree such obstacles are hindering the marketing interface within the small firm sector. It concludes by looking at barriers that might arise in the small enterprise sector that might have an affect on running the business and whether SMTEs regard such barriers as precarious to future ones. The following definition provides an insight into what the marketing interface means which as described in previous chapters. It defines the marketing interface as the process of finding out how SMEs perceive and undertake marketing in their business, which contain a fundamental variety of forces within and beyond the small firm. It is the interface between the SME and other external social entities.

### **6.3.2 The Concept of the Marketing Interface**

All SMTE entrepreneur/owner/managers identify the marketing interface as the process of finding out how SMEs perceive and undertake marketing in their business. A smaller proportion regard the marketing interface as a fundamental variety of forces within and beyond the organisation, and just less than half of SMTEs consider the marketing interface as a force that exists between the SME and external social entities. Figure 6.13 shows how SMTE owner/managers define the marketing interface.

**Figure 6.13: SMTE views on the marketing interface**

The marketing interface is regarded as very important by all SMTE owner-managers, as it may affect the business either positively or negatively. In fact, some of them regard it as extremely important for the survival and growth of the business.

The identification of the marketing interface by SMTEs led the researcher to find out how they view the importance of the marketing interface for business growth and development. The overall majority (99%) of SMTEs see the marketing interface as important for business survival and growth compared to just (1%) who see the marketing interface as not important.

This question sought to determine how SMTE managers consider the existence of cultural and knowledge differences with other social entities. The overall majority (97%) of businesses believe that such differences exist and that they should be aware of these and manage their business accordingly. The rest (3%) think that there are no differences with other social entities.

Another question asked if SMTEs can use marketing tools (i.e. advertising, public relations) for their strategic planning and whether they influence the marketing interface. All managers (99%) agree that such tools would influence the marketing interface and the remainder (1%) said that their use would not influence this.

A further question considered how SMTEs behave towards existing marketing theories applied to the marketing interface with the options of behaving differently or not. The same results appear here with 99% of businesses reporting that SMTEs do behave differently and only 1% that SMTEs do not.

### **6.3.3 SMTEs Operations Factors and the Marketing Interface**

The identification of the marketing interface, which has been defined as ‘the process of finding out how SMEs perceive and undertake marketing in their business, which contain a fundamental variety of forces within and beyond the small firm (it is the “crossing point” between the SME and other external social entities)’ led the research to investigate how SMTEs view the importance of the marketing interface for business growth and development. The overall majority (99%) of SMTEs see the marketing interface as important for the business’s survival and growth compared to just 1% who view the marketing interface as not important.

The research findings show that the majority of owner/managers regard the marketing interface as a necessity for the survival of the small business. The research went one step further to determine the factors that might have an affect on the marketing interface and ten factors were introduced to small firm managers. The factors covered a wide range of issues related to the marketing of small businesses in the tourism industry especially in Libya; they varied from accessibility to currency exchange to security issues. According to owner/managers all ten factors introduced were important but with a degree of difference to how important each of the factors was to the small firm’s marketing activities. More than half the businesses see all these factors as being extremely important and the rest see these factors as very important and only few see some of the factors as important. The results are shown in tables 6.5 and 6.6.

**Table 6.5: Components of Factors Affecting the Marketing Interface  
(Factor Analysis)**

Component Matrix <sup>a</sup>		
	Component	
	1	2
Accessibility/Signage	.822	.307
After sales support	.801	.388
Currency exchange	.789	.477
Electronic facilities	.781	.407
Friendliness of staff	.928	-.340
Information provided	.928	-.340
Multi-lingual	.926	-.331
Opening hours	.823	.341
Quality of service	.923	-.327
Security	.907	-.330

Extraction Method: Principal Component Analysis.  
a. 2 components extracted.

**Table 6.6: Factors Affecting the Marketing Interface (Factor Analysis)**

Total Variance Explained							
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	7.483	74.829	74.829	7.483	74.829	74.829	6.754
2	1.311	13.105	87.935	1.311	13.105	87.935	6.258
3	.605	6.047	93.982				
4	.264	2.645	96.626				
5	.137	1.374	98.000				
6	8.694E-02	.869	98.870				
7	7.441E-02	.744	99.614				
8	3.106E-02	.311	99.924				
9	7.563E-03	7.563E-02	100.000				
10	-2.07E-17	-2.070E-16	100.000				

Extraction Method: Principal Component Analysis.  
a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.



The marketing interface is regarded as very important by all SMTE owner-managers, as it may affect the business either positively or negatively, and some SMTEs regard it as extremely important for the survival and growth of the business. Owner-managers' views on factors identified differ according to their importance. The following comments from owner/managers represent some of the views they hold regarding factors affecting the marketing interface:

*“Budget allocation;”*

*“Awareness of what marketing can do for your business not just in the short-term but also in the longer term;”*

*“Flexibility of small firms to change, to overcome most problems they may face from the external environment which is the more difficult to control;”*

*“The government is a major factor as it controls the authorities, the financial system and its institutions and the legislative system;”*

*“The external factor is local communities;”*

*“The management style and behaviour of the manager;”*

*“SMTEs are unaware of what needs to be done for the industry as a whole and this is a big constraint on them and this is a major factor influencing the marketing interface.”*

SMTEs agree that the above factors do affect some small businesses more than others, so the question was asked how this might affect business. Replies were somewhat similar in the sense that they all agree to these factors being important and that knowing how to deal with such factors will usually lead to the better handling of situations as they occur. Owner-managers expressed that the firm's ability to control forces within the business would lead to improvement in business performance. However, factors beyond the small firm's control are not easy to deal with as they are unpredictable, and therefore

they could have an adverse effect on the business. They concluded that forces within their control could and should be used to improve the business performance overall.

Small businesses are vulnerable to all forces external and internal and management has to be aware of such forces and to use them for the benefit of the firm as much as possible. Prior knowledge through market research of such events that might affect the business is one way of reducing the adverse effect of such factors. On the contrary to how the marketing interface affects the small firm, owner/managers were also asked how the small firm might benefit from the marketing interface. A number of suggestions were made by SMTE owner-managers which varied from having the right plan, identifying the forces to concentration on building relations. Answers from SMTE managers are summarised as follows:

*“By having the right plan and using the right techniques available;”*

*“By having a marketing plan;”*

*“By knowing the forces that might affect the business and use them in favour of the business and keep monitoring those changes in the market;”*

*“By knowing how to respond to the external forces and use the internal forces to absorb the pressure from outside (relations are very important);”*

*“Relations, relations, relations;”*

*“By being aware of the forces that can affect the marketing interface;”*

*“Knowing the forces that influence the marketing of the small firm would make the manager more aware of how they should deal with such situations.”*

SMTE owner/managers regard such factors as important for the development of the small business. Such factors as accessibility and currency exchange are controlled by government regulations, which is not to the standard of the industry. Other factors like

after sales support and opening hours are considered as important but can be controlled by the SMTEs, and that is why they regard these issues as less disturbing than those controlled by the government. A further step was considered important in identifying the owner/manager's knowledge of the marketing interface and how it might have an affect on the small business which asked how these factors might affect the business. Replies were some what similar in the sense that they all agree to these factors being important and that knowing how to deal with such factors will usually yield a better handling of situations as they occur.

One owner-manager expressed the firm's ability to control forces within the business's reach which would lead to improvement in business performance:

*"Forces beyond our control are not easy to deal with as they are unpredictable, and therefore they could have an adverse effect on the business, however forces within our control could and should be used to improve the business performance overall."*

Another owner-manager commented that tourism businesses operate in an open environment which is affected by both external and internal factors:

*"We operate in an open environment which means we are vulnerable to changes taking place in the surrounding environment, and the way the business is managed can have its affect on the business."*

Further comments made by another owner-manager who concluded that the firm is making continuous efforts to identify factors (both external and internal) and deal with them accordingly as they arise, he stated:

*"We try and work with the external forces to avoid any surprises and to find out any developments before they occur so we can prepare for them."*

It is clear that although forces are not under the control of the small firm, they are not ignored; in fact the owner/manager tries to deal with situations as they unfold and better manage such factors within the resources limits of the small firm which might prove insufficient in many circumstances. It is also noted that owner/managers learn from their past experience of similar situations to deal with future ones. Some situations would

repeatedly occur in the small firm environment which is easily dealt with by the owner/manager; other situations may need further investigations and assessment by the owner/manager as they are new and the owner/manager has not come across similar situations in the past. This is proven in the organisational learning single loop and double learning which was explained in Chapter Three of this thesis. It is through learning that the owner/manager identifies how best to deal with issues and situations that they have to face in running their business activities. This also acknowledges the fact that background knowledge, experience and abilities of SMTEs' managers are considered as key factors and determinants of the SMTEs' success through the marketing interface.

During the interviews it was clear that previous experience, knowledge and ability were declared as the main determinants of the firm's success. A number of owner-managers argue that the main reason for their success was largely because of their past experience and knowledge.

This was supported by a number of owner-managers. For example, one owner-manager agreed to the three factors and added another factor:

*“The three factors mentioned are all important in determining the success of SMTEs, but I would like to add that in the Libyan environment having good relationships with different people at different levels would seem to be a very determinant factor as well.”*

There is no doubt that these factors are seen as important and therefore regarded by owner-managers as key points in the management of the business, and this is why all owner-managers with no exception see them as important factors.

#### **6.3.4 Barriers affecting the Marketing Interface**

SMTEs are considered to be an important sector of the economy and therefore may face a number of issues which are seen by them as obstacles. The following question considered whether there are any barriers that might arise and whether this would have

an affect on the SMTE marketing interface. The overall majority (99%) of SMTEs said that there are barriers and only (1%) said there are no barriers to the marketing interface.

Businesses that replied yes to the previous question were asked about such obstacles (six barriers were provided) to the marketing interface with the option for each barrier of either being a definite barrier, maybe/maybe not or not a barrier. All SMTEs (100%) see financial services provided by financial institutions to be a definite barrier, followed by 92% who see government assistance being provided to them as a barrier. Tourism training programmes are seen by SMTEs as a weapon with two edges, almost two-thirds (65%) of SMTEs see them as a barrier and 34% see them as a definite barrier. Only one quarter of SMTEs see environmental issues as a barrier compared to 43% who do not see them as a barrier and the remainder (32%) think they may not be a barrier now but hold the potential of being a definite barrier if no action is taken by the authority to protect tourist areas from tourists and more important from vandalism. The use of technology and research and development in tourism are also potential barriers (55% and 58%) since tourism is seen as a new industry in the country which means that more attention should be focused on the infrastructure and the development of the industry with the participation of both the government and private investors. Table 6.7 shows how each of the barriers was defined by the SMTE managers in terms of the barrier being a definite one, maybe/maybe not a barrier and not a barrier.

**Table 6.7: Barriers to the Marketing Interface**

<b>BARRIER</b>	<b>DEGREE OF BEING A DEFINITE BARRIER%</b>		
	<b>A definite barrier</b>	<b>Maybe/ maybe not</b>	<b>Not a barrier</b>
<b>Financial facilities</b>	<b>100</b>	<b>-</b>	<b>-</b>
<b>Government assistance</b>	<b>92</b>	<b>8</b>	<b>-</b>
<b>Availability of tourism training</b>	<b>34</b>	<b>65</b>	<b>1</b>
<b>Environmental issues</b>	<b>24</b>	<b>32</b>	<b>43</b>
<b>Use of technology</b>	<b>39</b>	<b>55</b>	<b>5</b>
<b>Tourism research and development</b>	<b>39</b>	<b>58</b>	<b>3</b>

Research shows that Libyan SMTEs are aiming to develop the industry through their own initiatives with little help from the public sector. They believe that the best way for them to develop their business is through the development of the country as a tourist destination in the international market. They believe that one of the methods available for them to achieve such a huge task is through the marketing interface which will assist in updating and developing the small business as well as to promote the country as a tourist destination. There is an agreement amongst SMTEs that marketing is the key to exploring the international market as well as the pool of knowledge that will allow them to better understand the tourism industry, the small business sector and the global environment they operate within. Networking and discovering new technologies presented in the international fairs and markets is regarded by them as extremely important. Networking with other Libyan enterprises working in the tourism industry and other related industries is viewed as another way of improving their marketing and developing the business. Although little or no help is provided by the government, SMTEs are still optimistic that sooner or later the government will have to indulge itself in this promising industry and this will enhance their role and strengthen their position in the international market.

**6.4 Research findings and analysis related to research objective three:** *To enhance understanding of the management processes, activities and abilities embedded within the marketing/entrepreneurship interface across a variety of Libyan tourism SME development contexts.*

**6.4.1. SMTEs' perception on management functions**

SMTEs' limited resources force them not to have different departments or divisions for each management function but to group functions together to be managed by one person and in some cases the owner/manager is responsible for all functions within the business. The notion of identifying the importance of each of the management functions does not mean that SMTE managers should have a department for each of those functions, rather recognising the importance of each function even when resources limit the business from having such a unit dealing with any particular function. This is important because there is a need to find out how SMTEs' view each of the management functions especially marketing. This shows how SMTE managers view the importance of each of the management functions. Nine functions were listed with a range of choices ranging from extremely important, very important, important, and not important and finally do not know. Feedback shows that all business functions are considered important, since most SMTE managers (99%) view public relations, information technology, marketing and personnel as very important. Finance was important (98%) and other functions were slightly less important when compared to functions already mentioned. The overall view is that all functions appear to be important to SMTEs to different degrees (for example marketing is more important than legal affairs). Table 6.8 shows how SMTE managers perceive the importance of business functions.

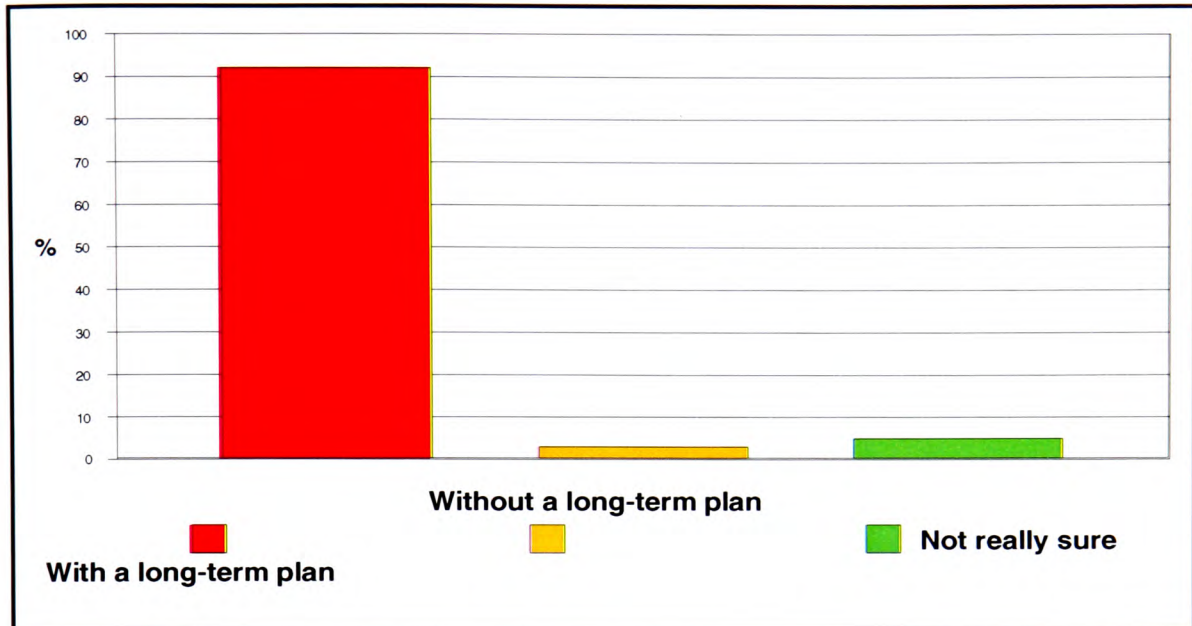
**Table 6.8: The importance of management functions to SMTEs**

<b>BUSINESS FUNCTION</b>	<b>DEGREE OF IMPORTANCE</b>				
	<b>extremely important %</b>	<b>very important %</b>	<b>important %</b>	<b>not important %</b>	<b>Do not know %</b>
<b>Marketing</b>	77	22	-	-	1
<b>Personnel</b>	49	46	4	-	1
<b>Finance</b>	62	32	3	1	1
<b>Administration</b>	46	49	5	-	-
<b>Purchasing</b>	42	48	7	3	-
<b>Sales</b>	65	31	3	1	-
<b>Public relations</b>	84	16	-	-	-
<b>Information technology</b>	80	19	1	-	-
<b>Legal affairs</b>	38	36	24	1	-

#### 6.4.2 Business Planning

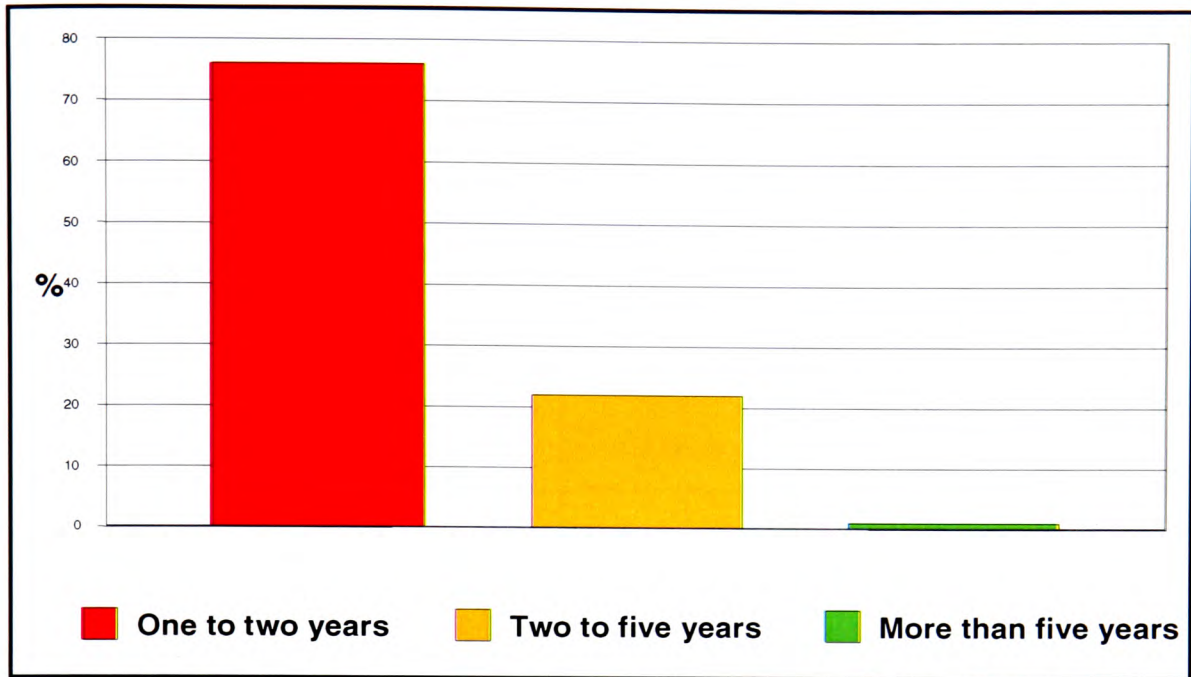
This section considers business planning undertaken by SMTEs and the period it covers. As well as the business function planning, it also investigates the obstacles facing SMTEs as well as whether SMTEs are considering expansion within the next year or two. SMTE owner/managers were asked if they have any long term plan for their businesses or either do not have such plans or are not sure if they are aware of the business planning process. The overwhelming majority (92%) of SMTE owner/managers do consider planning to be important and that they possess such a plan even though some of them admit having an oral plan rather than a written plan for the business. On the other hand, 5% said that they do not know if they have a plan as they are unaware where the business might be in one or two years time and only 3% have no plan for the business. Figure 6.14 shows managers' replies to business planning in their firms.



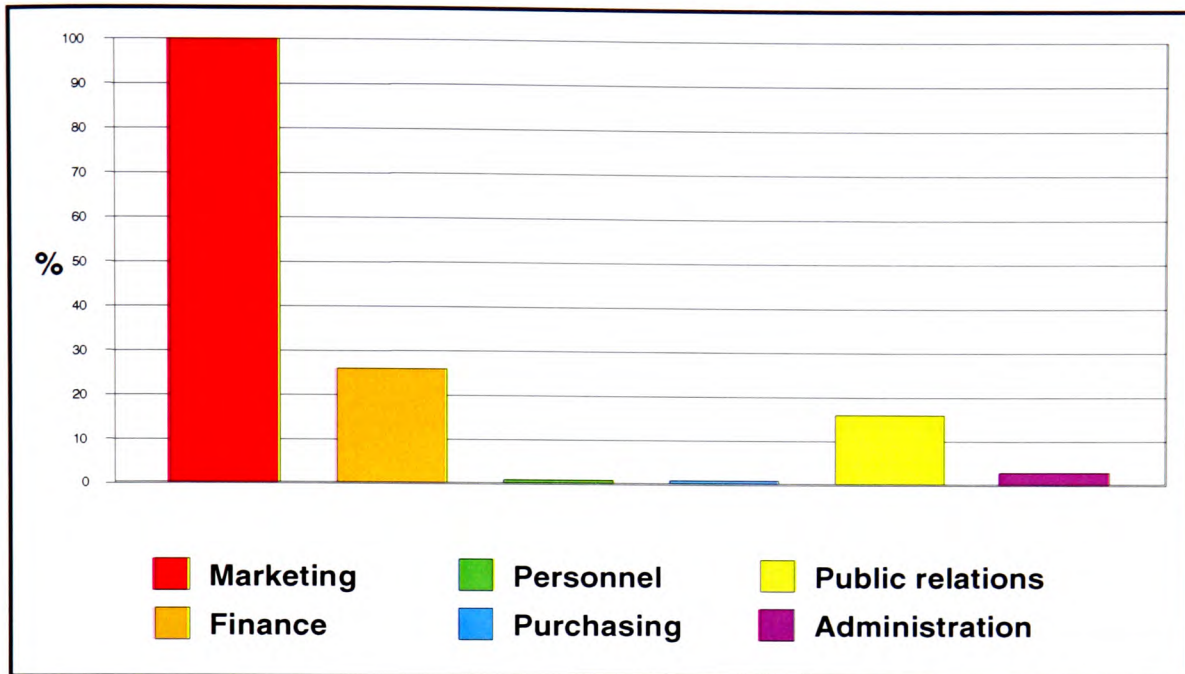
**Figure 6.14: SMTEs' business plans**

Owner/managers who have a long term plan did admit that plans are rarely implemented completely, since they do not conform to unexpected changes taking place. There was clear evidence to suggest the owner/managers will seize unexpected opportunities as they arise. Therefore, marketing planning in small firms is considered flexible.

Further to the responses as to whether planning occurs, SMTEs were asked if they carry out planning to determine the length of time of the plan and three options were provided. The first was short-term planning (one to two years), the second option was medium-term planning (two to five years) and the final option covered long-term planning (more than 5 years). The responses show that more than three-quarters (76%) of SMTE managers have business plans for no longer than two years (short-term), less than one-quarter (22%) of businesses carry out planning for a period of 2-5 years (medium-term) and only 1% plan for more than five years (long-term). SMTEs believe that the future is uncertain and this is why the majority only plan for less than two years. This in no way means that the sector is threatened since every small business in any sector undertakes short-term planning to avoid the setbacks that might face the industry they work in. Figure 6.15 represents the answers SMTE owner/managers provided for the length of time planned.

**Figure 6.15: Length of the business plan**

Businesses that carry out planning, whether short, medium or long-term, were asked what business functions their plan included. A wide range of functions provided for the owner/manager to choose from included marketing, finance, personnel, purchasing, public relations administration and other functions. This question sought to determine the aspects business planning includes. All SMTEs (100%) reported that marketing is the first function listed for planning and this is because they see marketing as the survival recipe for success in the service sector in general and in the tourism industry in particular. This was followed by finance where 20% of businesses consider it reasonably important but not to the same degree as marketing. Public relations is seen as another relatively important function since they see it assisting the marketing of the business. Other functions were not considered important as they rated below 3% for either of the remaining functions. Figure 6.16 represents the replies SMTE owner/managers provided.

**Figure 6.16: Management functions and the planning process**

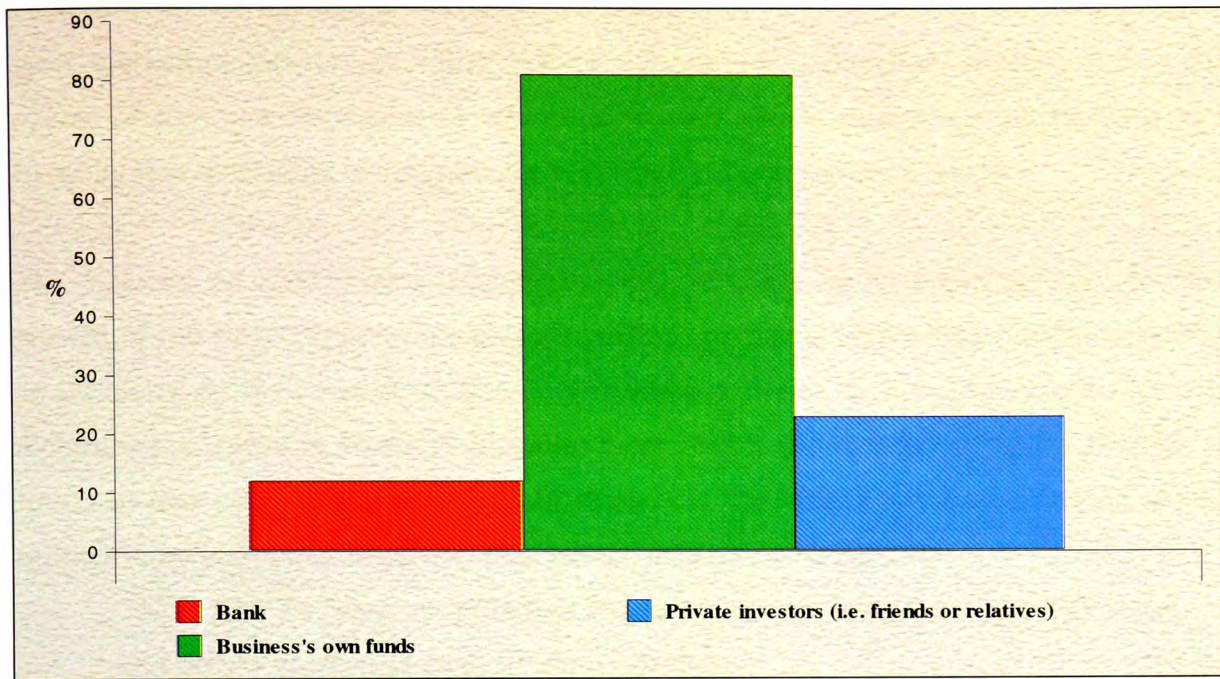
The development of the business, or at least how SMTE managers see their businesses in the future, was raised (Table 6.9 below). Managers' were asked whether their business will expand, remain the same, decrease or alternatively do not know. The results show that more than three-quarters (78%) of businesses are considering expansion within the next two years. This was opposed by 22% of businesses who think that they will remain the same within the next two years. There were none that said their business will decrease or they do not know if they will expand the business or not. However, the reasons behind the move to expand the business or not according to the criteria (number of customers, average spending by customers, financial turnover, number of employees, competition with other businesses) provided the options of expand the business, remain the same, decrease or do not know. The majority (more than 80%) of businesses agree that they expect an expansion in relation to all the criteria except for customer spending where only 54% of businesses see an increase in the average spending by customers, 36% predict customer spending to remain the same and 9% think that customer spending will decrease. Table 6.9 shows the responses according to each of the categories identified by SMTEs.

**Table 6.9: Criteria for Business expansion**

CRITERIA	TYPE OF DEVELOPMENT %			
	Expand business	Remain the same	Decrease	Do not know
Number of customers	86	14	-	-
Average spending by customers	54	36	9	-
Financial turnover	85	15	-	-
Number of employees	81	18	1	-
Competition with other businesses	82	18	-	-

Since businesses contemplating expansion (78%) would require finance, the sources SMTEs were most likely to use to finance their expansion were identified. For the four sources the results show that more than three-quarters (81%) of SMTE managers rely mostly on business self funding, and more than one-fifth (23%) see private investors (friends and relatives) as their main source of finance. Only 12% of businesses think that the bank is their major source of finance for expansion. It is evident that small businesses may use more than one source (i.e. use of business funds together with a private investor) to finance an expansion. In some cases this may encourage the private investor or bank to finance a project in which the firm is participating in financing. Figure 6.17 shows the responses of SMTE managers to the sources of finance.



**Figure 6.17: SMTEs' Sources of Finance**

SMTE owner-managers interviewed were further asked about the possibility of using marketing tools available for the strategic planning of the firm which would then influence the marketing interface. The majority of SMTEs view marketing techniques as important for the business and planning is perceived by them as another important practice for the growth of the firm. Owner-managers use marketing techniques in their planning which they regard as having an influence on their business. The only difference is that owner-managers do not see themselves engaged in strategic planning more than short-term planning for periods of less than one year. However, they still think that the effective use of marketing techniques in planning would influence the marketing interface. SMTEs stated that “marketing tools are used in short-term marketing, which can still influence the marketing interface.” Nevertheless, it was observed during the course of the interviews that the majority of firms who had opted for marketing tools being used in planning would influence the marketing interface. Once again this statement illustrated that marketing tools are used for not only strategic planning but for short-term planning which might affect the marketing interface, and also that all business functions would in fact have an affect (direct or indirect) on the marketing

interface. The behaviour of small firms towards existing marketing theories which could be applied to the marketing interface was tested, and SMTE answers did not explicitly view marketing theories as being part of the marketing function. Rather, during the course of the interviews several references were made to managing relationships and ensuring that marketing techniques are best used to the company's needs.

The majority of SMTE owner/managers view planning as an important tool for the growth of the firm. Owner-managers do perform planning which they regard as having an influence on their business. The only difference is that owner-managers do not see themselves engaged in strategic planning more than short term planning for periods of less than one year. However, they still think that the effective use of planning would influence the marketing interface. One owner-manager commented:

*“Most SMTEs carry out planning for the short term and in this sense they can and do use marketing tools for their planning.”*

This view is shared by another owner-manager who argued that:

*“Marketing tools are used by SMTEs in their short term marketing, which can still influence the marketing interface.”*

This is further supported by another owner-manager who thinks that marketing tools used for short term planning do affect the marketing interface, he commented:

*“SMTEs use marketing tools for their short term planning which I think can still influence the marketing interface.”*

On the other hand, the owner-manager of stated that:

*“I do not see SMTEs using strategic planning and therefore would not affect the business.”*

Nevertheless, it was observed during the course of the interviews the majority of firms had opted for marketing tools being used in planning would influence the marketing interface. This is confirmed in the following statement made by an owner/manager who reported that:

*“The concentration of small companies is short term marketing, but being able to plan for long term would no doubt be of great value in the long term and not in the short term.”*

A concluding statement shows that small firms do think of where they prefer themselves to be in the near and far future.

*“I think all business activities can influence the marketing interface and the marketing tools and strategic planning (if exists) are no exception.”*

Small firm owner/managers believe that planning in the shorter term is definitely an aim of most small business as they are able to magnify where the business will be within the next three to six months and sometimes for the next year. However, they are still reluctant to plan for the longer period as the majority of them are reluctant to frame themselves where they might be in the next three to five years. This does not mean that they do not carry out any form of ‘imagination’ of where they would like their business to be in the future. The difference with the small firms is that they prepare for the short term planning through modifying the business to achieve their short term objectives. In the long term planning, this does not involve any preparation of the business to suit the future vision of the owner/manager for his/her firm.

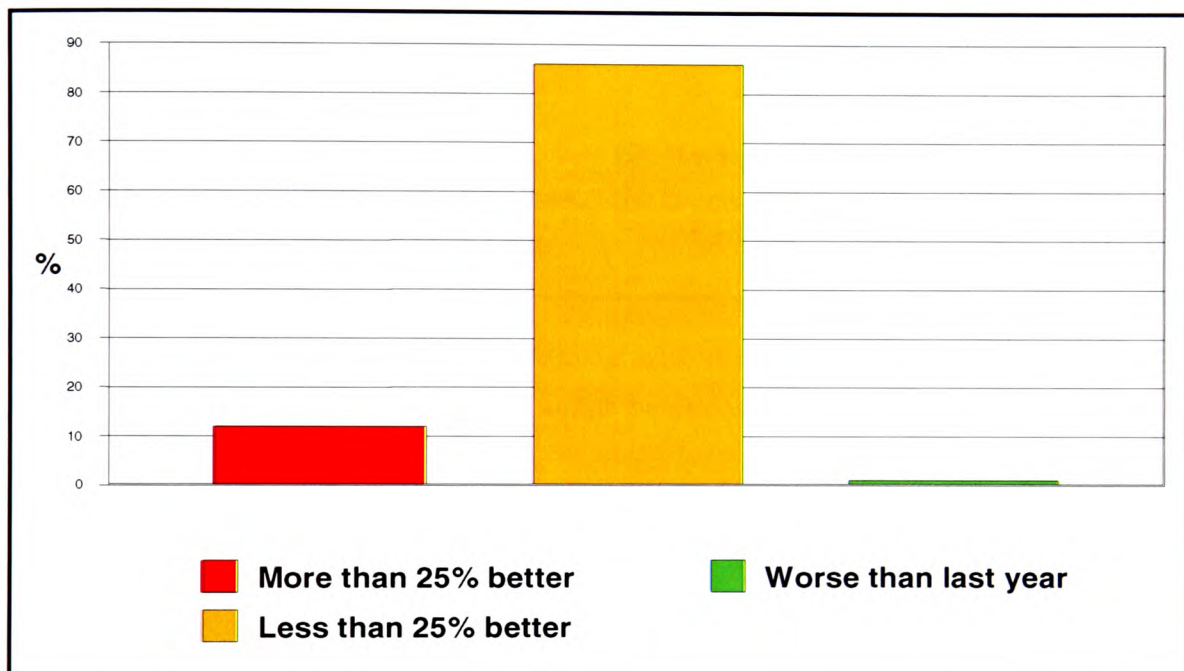
#### **6.4.3 Business Performance**

As most small businesses lack the necessary resources (Kuriloff, 1979; Carrier, 1994 and Carson et al 1995), the small firm’s owner/manager usually runs the business on his/her own or with minimal assistance. Therefore, the business performance of the small firm is a reflection of the owner/manager’s actions in running the business. With regard to this, the research considered business performance to identify the ability of the owner/manager to successfully (or otherwise) run the business. This involved how SMTEs recognise the business and the functions necessary for the business to survive and grow. A comparison was made of performance by years to determine the development (if any) that was taking place in the business. The overall performance of the business during the year 2002 compared to 2001 was tested and the results showed that the majority of businesses (98%) regarded the performance of 2002 as better than the previous year but with a different degree of improvement as only 12% of businesses see their enterprise as more than 25% better off, and the remainder of businesses (86%) regarded 2002 as better than 2001 in terms of business performance by less than 25%



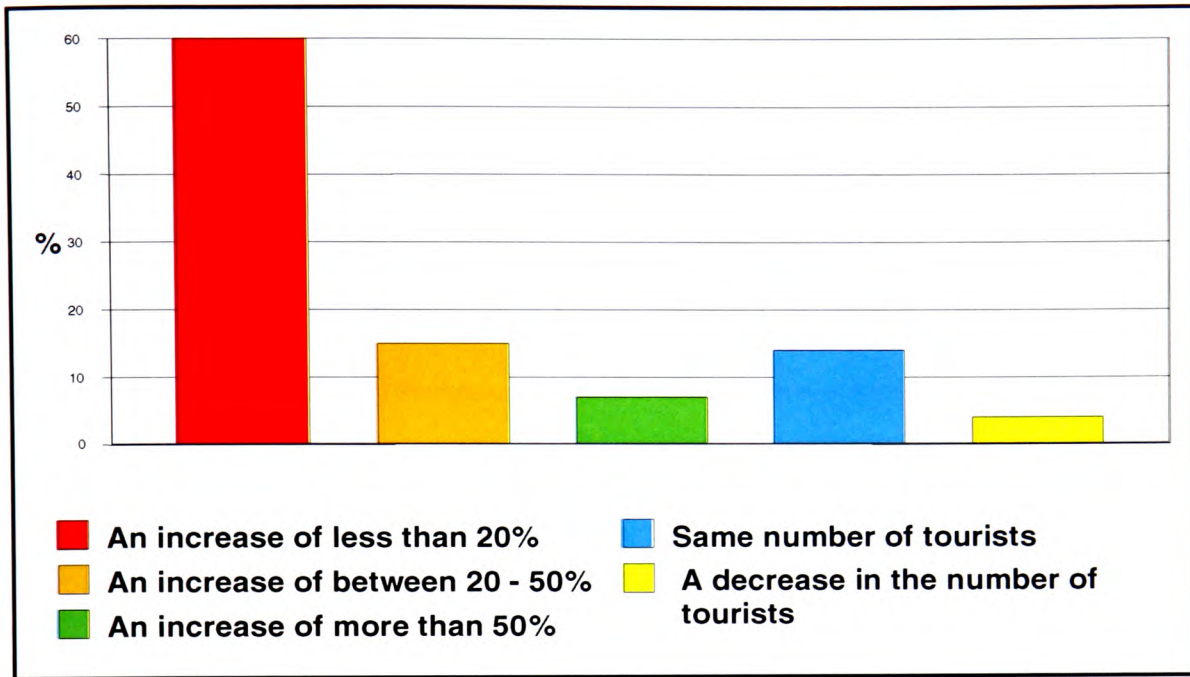
better off. Overall business performance showed an increase of less than 25% except for the year 2001 where 49% of businesses were considered worse off than the year 2000. This is due to the effect of the 9/11 attacks on New York in 2001 which led to a decrease in tourism in Libya as well as other countries in the region and the World. However, businesses showed an immediate recovery in the following year. Figure 6.18 shows the results from 2002 and 2001 in overall business performance.

**Figure 6.18: SMTEs' overall performance in 2002 compared to 2001**



Since most of the participating businesses are tourist related (whether they are national or international tourists), the performance of tourist numbers during 2002 was compared to 2001. There was a wide range of responses, almost half of the SMTE respondents (60%) indicated that the number of tourists rose by no more than 20%, and 15% indicated that the increase in tourists was between 20 – 50% and just 7% had an increase of more than 50%. On the other hand, one-fifth (14%) of the SMTEs felt there was no change in the number of tourists and only 4% experienced a decrease in the number of tourists. This proves again that most businesses suffered in 2001 and signs of overcoming this problem in 2002 are evident from the replies (shown in Figure 6.19).



**Figure 6.19 Increase/decrease in the number of tourists**

As most of small firms were dealing directly with tourists, it is felt that the number of tourists would show an indication of small business performance. As the country is being more active in international fairs and markets, there is an increasing interest in Libyan tourism especially from European countries. The statistical analysis concerning tourists increase/decrease shows that businesses are improving their performance through the increase in number of tourists being accommodated by small firms.

SMTE owner/managers further confirm the expansion of business through the increase in the number of tourists. As one owner/manager states:

*“The business is expanding and we are reaching for more international markets, we now have tourists coming from more than five European countries”.*

The increase of tourists' numbers is not the only indication of good business performance. Signs of good business performance as seen by the owner-managers included number of employees, offices, tourists and programmes offered. Some companies were leading in the market by inventing new ways to do business which lead them to being a leader in some of the products offered on the market. As owner/managers have expressed:

*“I believe that we are on the right track and business is picking up, but we need to do more to attract more tourists to the country as well as looking at other options like outbound tourism and partnership with overseas companies in tourism investment projects”.*

*“We are looking at areas not touched by others in the industry, for example we provide more service to outbound tourism rather than inbound tourism (more and more companies are following in our footsteps), we also provide services such as Libyan students wishing to study abroad and cargo service which most of tourism companies do not engage in its operations”.*

It is obvious that all small businesses regard business performance as an indication of the development of the business and see the industry as very prosperous and promising. However, most of them emphasised that business performance was not enough to develop the industry and that the government needs to play a greater role in developing the industry especially the tourism infrastructure in the whole of the country. The positive businesses performance is seen as an encouraging sign to attract more and more businesses to enter this rather new and fast expanding market. Business planning is viewed by SMTEs as very important and the majority of them carry out planning to cover a period of one to two years with more concentration on the shorter term (less than one year). Planning does seem to focus on the marketing function as SMTEs regard it as the core business function of the enterprise, even though they tend to concentrate more on promotion and advertising activities.

#### **6.4.4 Financial Performance**

This section considers SMTE owner/managers' assessment of business performance in general and financial performance in particular. The aim is to identify how SMTEs recognise the business and the functions necessary for them to survive and grow. A comparison of the performance in the number of years was undertaken to find out the development (or otherwise) that was taking place in the business. The financial performance of the business in 2002 was compared with the previous year until the year 1998 which is the year that most SMTEs had completed one year of operation and could therefore judge, or provide information regarding their financial performance of the business. The comparison of business financial performance during the last five years, or

since the business started, with options of being excellent, good, reasonable or not acceptable were provided. There was a wide range of responses, and SMTE owner/managers indicated that the highest achievement was during 1998, 1999 and 2000 where almost half of the businesses (41%) indicated that financial performance in 1998 and 1999 was either excellent or good, and 46% indicated the same results in 2000. On the other hand the worst results were during 2001 (23%) and 2002 (22%) where unacceptable financial results for businesses were recorded. Most SMTE owner/managers felt that the 9/11 attacks in New York were the main reason for many cancellations from all major tourist markets around the World which led to the decline in tourism activities in the region. The statistical data presented in tables 6.10 and 6.11 show that for overall financial performance during the years of study (1998 – 2002) the majority of businesses were satisfied with their results, even though some of them reported a slow improvement in the business which relates to changes in the international market especially in the year 2001.

**Table 6.10: Comparison of SMTEs' Financial Performance 1998 – 2002 (Factor Analysis)**

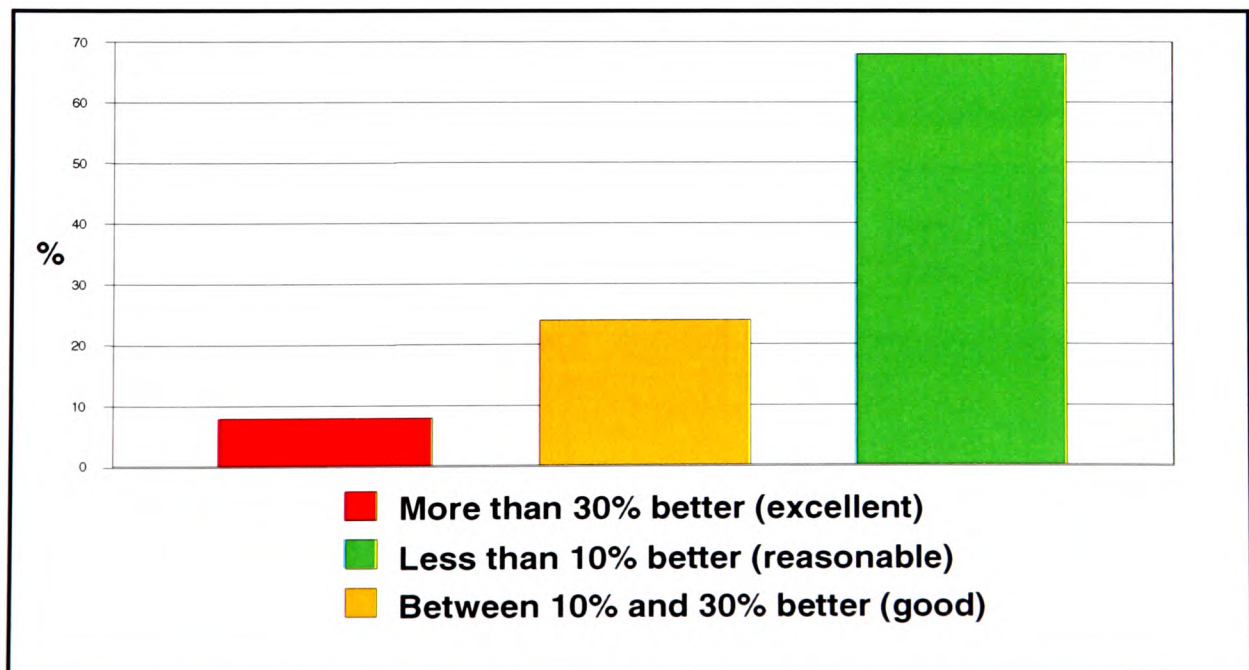
Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.896	77.919	77.919	3.896	77.919	77.919
2	.805	16.092	94.010			
3	.176	3.524	97.534			
4	.109	2.171	99.705			
5	1.473E-02	.295	100.000			

Extraction Method: Principal Component Analysis.

**Table 6.11: Communalities of Financial Performance 1998 – 2002 (Factor Analysis)**

YEAR	INITIAL	EXTRACTION
2002	1.000	.761
2001	1.000	.624
2000	1.000	.885
1999	1.000	.884
1998	1.000	.743

Company financial performance in 2001 compared with the year 2000 confirms the previous results which showed that 2001 was seen by many businesses (68%) as reasonable compared to just (8%) who regarded 2001 as a year with more than 30% increase in profits. Figure 6.20 shows that the majority (68%) of SMTEs see their financial performance in 2001 less than 10% better than in 2000, 8% of SMTEs see 2001 more than a 30% better than 2000 and 24% see the financial gain in 2001 between 10% and 30% better than the year 2000.

**Figure 6.20: SMTEs' financial performance in 2001 compared to 2000**

In terms of financing the small firm, the overwhelming majority of small firms rely on the businesses own funds in supplying their expansion and future development programmes. It appears that the use of information technology is not fully exploited by the small firm, even when most SMTEs regard the use of IT in the firm as very important to the business.

#### 6.4.5 Employment

The number of employees working for the firm on the basis of full time, part-time and seasonal work was determined. For full time employees' figures, the highest proportion (70%) were micro businesses (with less than 10 employees), followed by small businesses (between 10 and 49 employees) representing 22% and the remaining 8% representing medium businesses (more than 49 and less than 250 employees). However, when taking into account all employees employed by the company (full and part-time) the figures show a different pattern. Micro businesses represent less than half of the total businesses (49%), small businesses represent 39% and medium-sized businesses represent 12%. Tables 6.12 and 6.13 show the comparison between full-time employees and all employees (full and part-time) figures in relation to firm size.

**Table 6.12: Comparison of Full-time Employees and Firm Size**

FIRM SIZE (NO. OF EMPLOYEES)	MICRO (LESS THAN 10)	SMALL (10-49)	MEDIUM (50-250)	ALL FIRMS
Number of Business	52	16	6	74
% of Businesses	70 %	22%	8 %	100 %

**Table 6.13: Comparison of Employees (full & part time) and Firm Size**

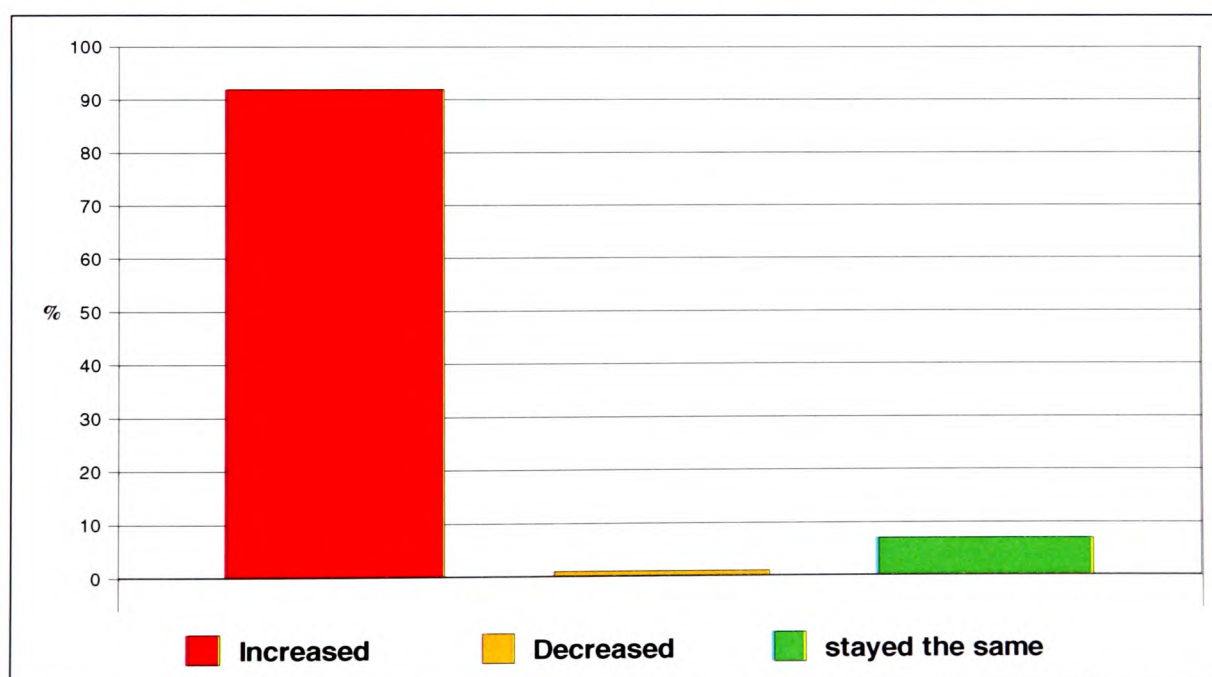
FIRM SIZE (NO. OF EMPLOYEES)	MICRO (LESS THAN 10)	SMALL (10-49)	MEDIUM (50-250)	ALL FIRMS
Number of Business	36	29	9	74
% of Businesses	49%	39%	12 %	100 %



Tables 6.12 and 6.13 show that small firms are using more part-time staff than micro and medium businesses. The number of small firms rose from 16 (22%) with full-time staff only to 29 (39%) when all staff (full & part-time) are counted. Most medium-sized businesses, especially hotels (5), rely on full-time staff only.

One of the measurements of business expansion is the increase in the number of employees between when the business started and now. This shows that the majority (92%) of SMTEs have more employees now than when they started, only 7% still have the same number of employees and only 1% experienced a decrease of staff since opening the business. It is worth noting that not all businesses have been operating for some time and that nearly one sixth (15%) of firms were established in the last two years which makes it hard to notice the increase/decrease as they have just started running the business. Figure 6.21 shows the increase, decrease and stability of SMTEs' employees.

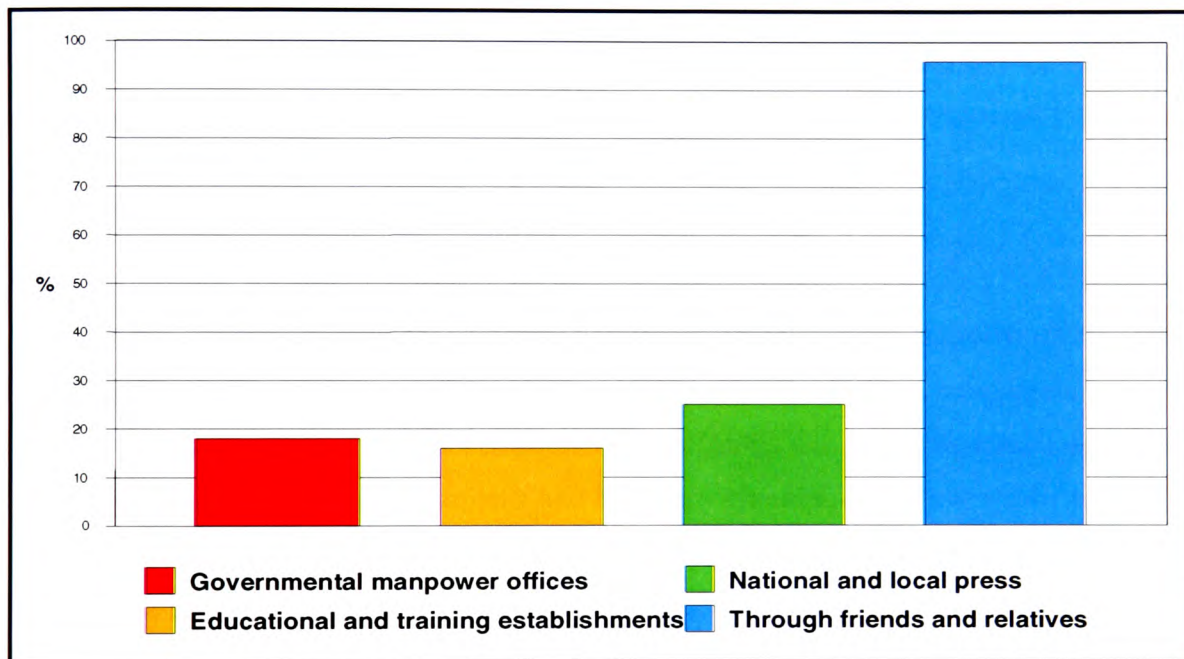
**Figure 6.21: Increase, decrease and stability of SMTEs' employees**



Family and friends' relations are quite strong in the Libyan community and this has its affect upon work relations. This is why the majority (96%) of firms rely on family and friends for recruitment of new staff, and only one quarter (25%) use the national and

local press to advertise vacancies for new staff and 18%, and 16% respectively use government offices and education institutions. Most SMTEs use more than one source according to the availability of people who might take up jobs. In cases where the vacancy requires less education and experience they tend to use family and friends' contacts and when the job requires qualified people SMTE managers tend to search through other sources such as the press or educational institutions. Figure 6.22 shows how SMTEs use the different sources available for recruiting new staff.

**Figure 6.22: The use of recruitment sources by SMTEs**



Respondents were asked about the availability of training programmes to employees, old and new, which could assist in the quality of work they provide, and therefore the question focused on whether training is provided in any form (on the job or off the job, long or short term periods). All SMTEs (100%) provide some form of training for their staff before they start work with the firm even if they have past experience in similar jobs and some training programmes are aimed at staff already working for the firm to further encourage staff to raise their productivity level.

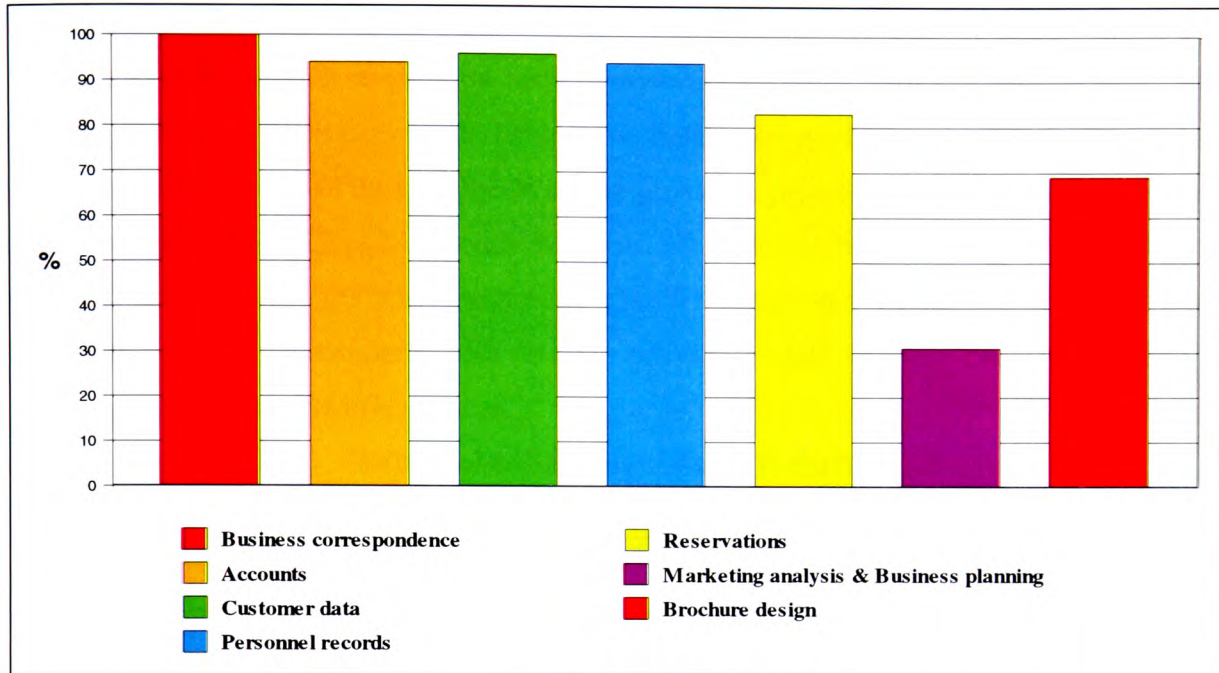
Owner/managers view employees as their most valuable assets as they are working in the service sector which requires higher abilities of staff to deal with situations arising in the small firm. As mentioned earlier training is provided by the small firm to ensure that staff are well informed of what is expected from them in carrying their work. As most businesses have experienced an increase in the number of employees, this is translated by the owner/managers as a good sign of a healthy business. Since most owner/managers rely on friends and relatives as a source of staff, they expect such groups to perform better and to treat the business as their own and this could be reflected as one of the reasons behind the success of the small firm.

#### **6.4.6 Information Technology**

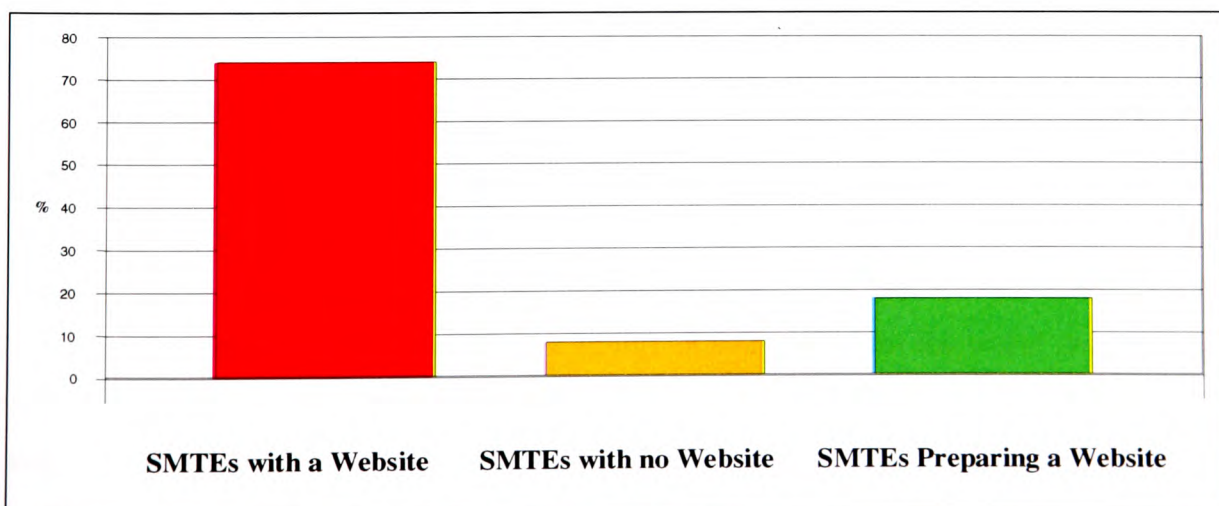
SMTEs' views of the importance of information technology (IT) through its application within the business were considered. The majority of businesses (97%) use IT in day-to-day business applications and only 3% do not use IT in their firms.

It was found that all SMTEs use IT in most of the functions identified. All businesses (100%) agree on the use of IT in correspondence and the great majority (96%, 94%, 94% and 83%) use IT for customer data, accounts, book keeping, employees' records and reservation respectively. More than two-thirds (69%) use IT for brochure design and only 31% use it for marketing analysis and business planning. The low application of IT in market analysis and business planning is due to the fact that SMTEs tend to apply basic forms of informal planning and if written plans are produced they tend to be in their simplest form. With regard to brochure design most SMTEs use specialist small firms to provide them with publishing materials at low costs. Figure 6.23 shows the application of IT by SMTEs.



**Figure 6.23: SMTEs' applications of Information Technology**

Three-quarters of small businesses (74%) confirmed that the business has a Website operating at the moment, less than one-quarter (18%) are working on their Website (which means that it is in the design phase) and only 8% of businesses did not have a Website and were not planning to have one in the near future (Figure 6.24).

**Figure 6.24: SMTEs and Websites**

The most common uses of Websites by SMTEs and their customers and whether SMTEs were taking full advantage of their Website were determined. All SMTEs who had a Website (100%) used it to provide visitors with information on the company, the great majority (96%) said that their Website gave details of packages provided and three-quarters (75%) of SMTEs said the Website provided prices for all their services. Less than one third of SMTEs (28%) with Websites allow direct booking on the Internet, and only 7% said the Website was designed to give feedback on visitors to the site and gave access to contact the company staff through providing staff e-mails. Table 6.14 lists the different options and SMTE choices.

**Table 6.14: SMTEs' Use of Websites**

<b>SERVICES PROVIDED ON THE WEB</b>	<b>PROVIDED %</b>	<b>NOT PROVIDED %</b>	<b>DO NOT KNOW %</b>
<b>Company information</b>	<b>100</b>	<b>-</b>	<b>-</b>
<b>tourist packages</b>	<b>96</b>	<b>4</b>	<b>-</b>
<b>Prices</b>	<b>75</b>	<b>25</b>	<b>-</b>
<b>e-booking</b>	<b>28</b>	<b>72</b>	<b>-</b>
<b>Feedback</b>	<b>7</b>	<b>89</b>	<b>4</b>
<b>Staff emails</b>	<b>7</b>	<b>93</b>	<b>-</b>

SMTE owner/managers view the use of IT as a great revolution in small business development. It has assisted speeding up much of the small firm's management work with a higher degree of accuracy and efficiency. Although the use of the Internet became only widely available in the mid 1990s, most owner/managers have realised the high impact IT could have on their business. They describe their involvement with IT in the business as being through different stages, starting with the basic use of computing in their daily activities through to using special software packages designed for the needs of the small firm in many management functions like finance, purchasing and later on marketing. This has lead the small firm owner/manager to explore further the use of IT which lead to the use of the Internet as a source of knowledge on the world around them and to find out what is happening in the outside world regarding their industry. The next step was to develop a website for the business, which although most of them have, the majority admit that their usages are limited due to a number of factors which do not

encourage them to fully benefit from the Website. For example, payment may not be taken on the Net due to the lack of financial services provided by banking systems operating in the country. Another example refers to prices of packages not being included on their Websites as these are constantly changing through monitoring occurrences in the international market like peak and off peak seasons and during international crises and to be as close to competitors' prices when attending tourism fairs and shows.

The use of the Internet as a source of information is seen by owner/managers as the most comprehensive source in the international market as they could find out any developments taking place, any international events that might be of interest to their business, as well as the latest in products and customer relations through seminars and conferences. They regard the Internet as a partner that has more information from wider sources that is not only important to them but some times vital to the survival of the small business. In this sense they compare using the Internet as having networking with as many others as you would like through the one source (the Internet).

The majority of SMTEs' owner/managers admit that the Internet is a major source of learning as they have learnt more than they could learnt from other methods like attending a course or buying a hard copy of a book on any certain issue within the business. They regard the Internet as updated, relevant to current situations and simple to use. Owner/managers expressed their desire to take full advantage of services provided through the Internet, but they admit that most of this depends on government initiatives in developing and liberating the financial system and lifting restrictions on the use of such services by all companies operating in the country.

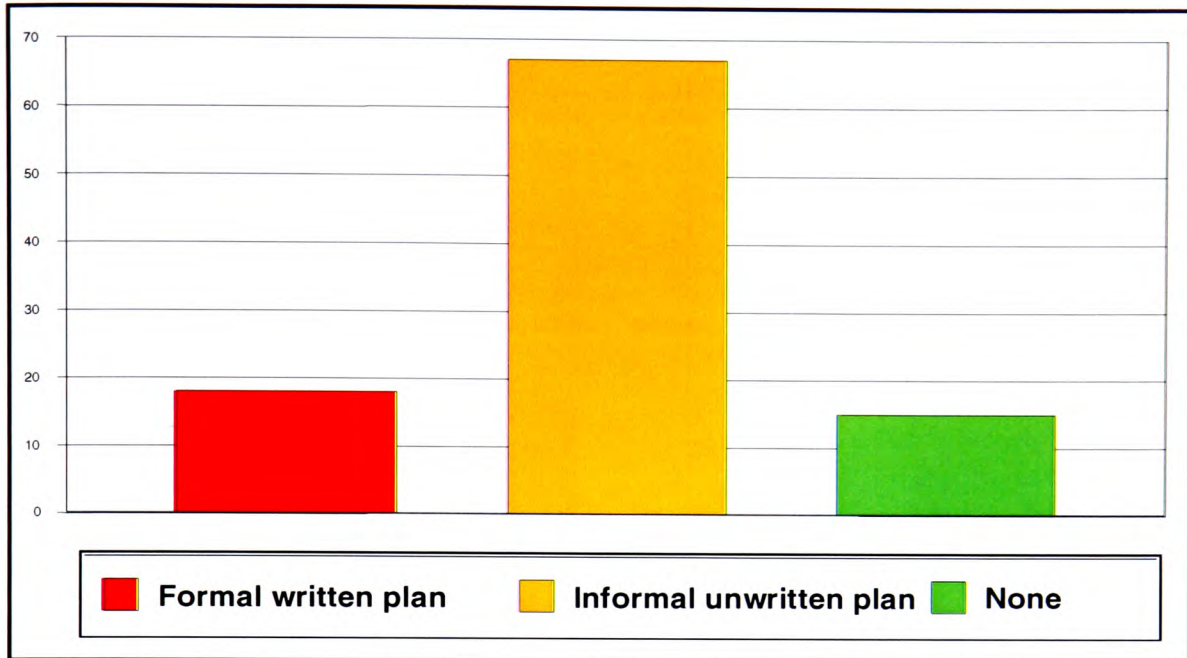
**6.5 Research findings and analysis related to research objective four:** To identify those management processes and activities which represent small business marketing activities within the participant tourism SMEs.

The marketing section considers how SMTEs view marketing in broad terms and how they view market planning for small firms. Questions were introduced which are all

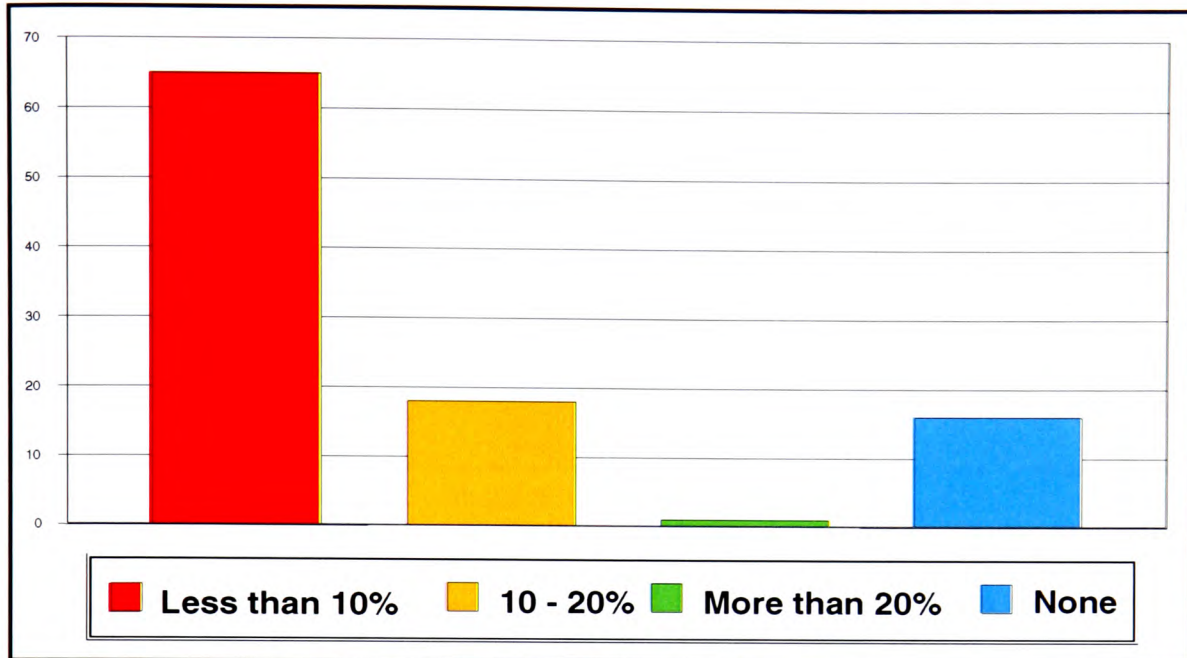
related to marketing issues in general. The first question simply asked whether the small firm has a marketing unit (i.e. department, division or section) within the organisational framework. The results show a division between SMTEs with more than half (54%) saying they have a marketing unit and the remaining (46%) say they do not have such a department. This does not mean that having a marketing department would require a professional person responsible for its operations; rather the unit could be under the shared responsibility of another person or the owner/manager in charge of all or most functions and operations within the enterprise.

### **6.5.1 Marketing planning**

All businesses within the tourism sector, whether involving a marketing department or not, rely on marketing for their business, so the following questions asked SMTEs what type of marketing plan the business has. Answers varied from a formal written plan to an informal unwritten plan to having no marketing plan. The results show that less than a quarter of SMTEs (18%) have a formal written marketing plan for their business and more than two-thirds of businesses (67%) do not have a formal plan but carry out market planning in an informal way. This means the person responsible for marketing knows in advance the broad guidelines for marketing activities (unwritten) which can be easily altered according to market developments. In addition, 15% said they have no marketing plan at all. Businesses that have no marketing plan tend to be small firms like hotels who do not pay much attention to marketing and competition due to the previous state owned economy. Figure 6.25 shows the answers SMTE managers provided.

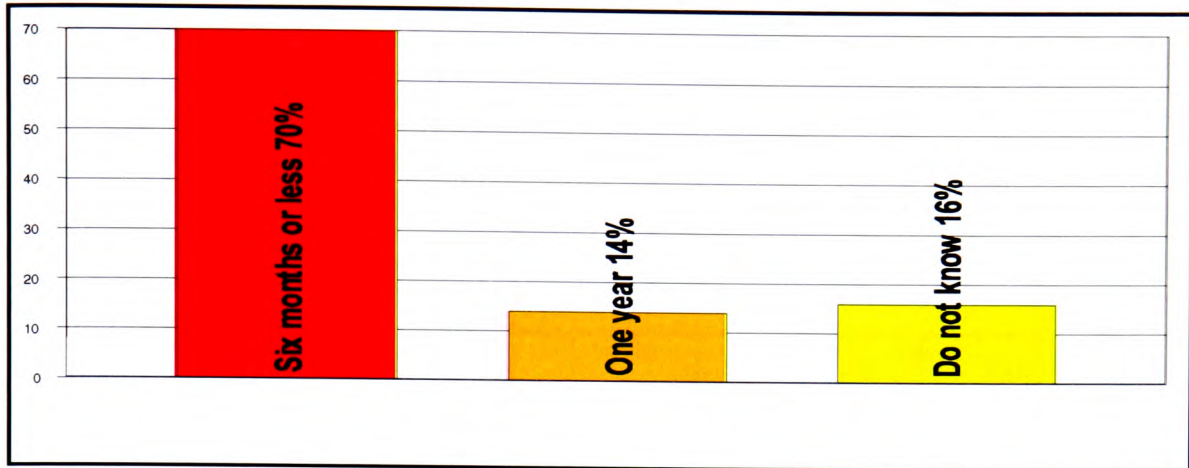
**Figure 6.25: Market planning and SMTEs**

The importance of marketing to small firms can be monitored through the allocations of budget directed to this activity of the business. Therefore, this question asks SMTEs how much of the annual budget is designated towards marketing activities. To ease the answer of the question, four options were given varying from none to less than 10% of budget allocated for marketing to more than 20%. Almost two-thirds of SMTEs (65%) said they hold less than 10% of their annual budget for marketing, and less than one-fifth (18%) said the budget share for marketing varies from 10 to 20% every year. A similar proportion (16%) said they allocate nothing towards marketing activities and just 1% said they allocate more than 20% of their budget towards marketing. Figure 6.26 shows SMTEs' budget for marketing.

**Figure 6.26: SMTEs' Budget allocated for Marketing Activities**

Those SMTEs who carry out market planning (formal and informal) were asked how far in advance they prepare for this. Answers varied from less than six months to five years. More than two-thirds of SMTEs (70%) only plan for a period of six months or less, less than a quarter (14%) have market planning covering twelve months and the remaining (16%) said they are not sure how long their planning covers. Figure 6.27 shows how SMTEs prepare in advance for market planning in terms of time.



**Figure 6.27: How far in advance SMTEs' plan their marketing**

Marketing encourages SMTEs to carry out a market assessment as part of the evaluation of the environment in which they operate. The research started with the question whether market assessment was undertaken by the small firm. Results show that less than half (42%) of businesses do carry out this task compared to more than half (58%) who do not carry out any assessment of the market in which they operate.

Businesses that answered 'yes' to carrying out a market assessment were asked what the assessment included. A list of criteria for a market assessment was introduced and SMTEs were simply asked whether the criteria were included in the assessment or not. The large majority of businesses (97%) said the assessment programme includes identifying the customer needs which would lead to defining what the new or developed product/service should include. The numbers of visitors (customers), as well as their satisfaction, was high on the list of criteria with 90% of businesses measuring these two issues. Less businesses (84%) are concerned with competition and less than three-quarters (71%) are assessing the effectiveness of marketing activities carried out by the firm. Finally, development in the international market was the least important (68%) of all the assessment criteria included. Table 6.15 shows SMTEs' responses to each of the criteria listed.

**Table 6.15: SMTEs' market assessment criteria**

<b>CRITERIA</b>	<b>INCLUDED %</b>	<b>NOT INCLUDED %</b>
<b>Customer needs</b>	<b>97</b>	<b>3</b>
<b>Development of new product/service</b>	<b>97</b>	<b>3</b>
<b>Competition</b>	<b>84</b>	<b>16</b>
<b>Effectiveness of marketing</b>	<b>71</b>	<b>29</b>
<b>Visitor numbers</b>	<b>90</b>	<b>10</b>
<b>Visitor satisfaction</b>	<b>90</b>	<b>10</b>
<b>Development in international markets</b>	<b>68</b>	<b>32</b>

### 6.5.2 SMTEs' and promotion programmes

Promotion is considered an important ingredient in the marketing mix of the tourism product and is usually seen as the reflection of the company to most people from outside the firm including customers. SMTEs were asked to comment on their promotion methods and which of these methods they already use or are planning to use. Table 6.13 shows that out of the eight promotional methods, the brochure category came first with more than 89% of firms using it, and the rest (11%) are considering using them in the near future. This was followed by the use of promotional materials (i.e. pens, calendars) where 76% of businesses already apply this method and the remaining 24% plan to do so. Participation in international events related to the trade was considered as the third most important method for 69% of businesses. Sponsorship was high on their agenda even though SMTEs are planning to use this method. Local and national advertising was not used by the majority of businesses (84%) as they see their target as international visitors (tourists) rather than locals or nationals. Finally, Internet promotion is the least favoured method of promotion mainly because the use of the Internet and Website by the small firm is still limited and only basic services are provided through the Website (refer to Figure 6.26 and Table 6.11). However, all SMTEs agree that the promotional methods mentioned in the question were either used or are planned to be used in the near future, except for competition which most SMTE managers refuse to comment on. Table 6.16 shows the response of SMTE managers to the use of promotional materials.



**Table 6.16: The use of promotional methods by SMTEs**

<b>PROMOTION METHODS</b>	<b>ALREADY USED %</b>	<b>PLAN TO USE %</b>
<b>Brochures</b>	<b>89</b>	<b>11</b>
<b>Discounted process</b>	<b>52</b>	<b>48</b>
<b>Sponsorship</b>	<b>29</b>	<b>71</b>
<b>Internet promotion</b>	<b>10</b>	<b>90</b>
<b>International tourism shows</b>	<b>69</b>	<b>31</b>
<b>Local and national advertising and publicity</b>	<b>16</b>	<b>84</b>
<b>Use of promotional materials</b>	<b>76</b>	<b>24</b>

All interviewees regarded marketing activities as the core activity of the small business. In general terms they tend to pay more attention to marketing through building relationships and creating networks with all parties within the industry, and most of all their current and potential customers.

SMTE owner-managers share the common belief that marketing is vital for industries like tourism, and this requires a comprehensive plan to promote the country as a tourist destination in the international market. This step needs huge funding which the private sector on its own will not be able to provide, and therefore the public sector, especially the government, is urged to inject financial resources in this activity. In this sense, SMTEs see marketing activities as one of the most important for the industry, but what has been undertaken by the government up to now is seen as insufficient and unorganised.

The majority of owner-managers agreed that marketing activities were conducted by small firms on single issues rather than collectively, that the GBT is not doing enough and that more efforts are needed in this field. One owner-manager stated:

*“SMTEs are making singular efforts to market their businesses, but the role the GBT is playing in marketing is not adequate even if they spend so much on marketing, they need to review their marketing strategy if they have one.”*

Throughout the interview stage of this study, owner-managers showed that they regard marketing activities as the core of the small business. In general terms they tend to pay more attention to marketing through building relationships with all parties within the industry, and most of all their current and potential customers. The majority of SMTEs have a marketing plan even though most of them are informal and unwritten, and they are looking at ways of improving their activities in relation to marketing the business. Comments made by SMTE owner-managers indicate that they are indulged in marketing activities on their own with little or no help from the Authority, and because Libya is a new destination more effort is required to promote new destinations which require huge financial resources and most of all a plan to provide the right direction in promoting the country. It is also obvious that SMTEs are making every effort to promote the country according to their budgetary and resource limitations. They regard marketing as an important issue to the small business. Even firms who do not regard marketing as important now, are working towards increasing their budget allocated for marketing.

SMTEs' owner/managers see marketing activities as one of the most important for the industry, which requires huge resources only the government is able to provide to assist in the development of such a new and emerging industry within the Libyan economy which has been for quite a long time been dependent on the oil sector in all its economic activities. However, owner/managers think that the government is underestimating its role in developing the industry, and that the small sector on its own will not be able to provide the necessary financial resources and most of all a plan to direct them in the right direction in promoting the country as a new tourist destination, as one owner/manager states:

*“SMTEs can only allocate a small percentage of their budget towards marketing and the government is although spending so much on marketing the results are not as expected and I think resources are wasted in this sense.”*

Another owner/manager emphasised the need for the government to step in to lead the promotional programme:

*“On SMTEs’ level it is improving but they can not afford a comprehensive campaign to promote the country, and this is the role of GBT.”*

In relation to their businesses, owner/managers regard marketing as an important issue in the small business, and even firms who do not regard marketing as important now, these firms are working towards increasing their budget allocated for marketing, as one owner-manager explained:

*“Marketing is not perceived as a priority in most SMTEs as it requires a reasonable continuous budget; however we are increasing budget allocated to marketing every year which is allowing us to focus more on what needs to be done to improve our service and appear to a wider range of clientele.”*

According to owner/managers of the small businesses within the Libyan tourism industry, marketing is perceived by the majority of interviewees as an important part of the business as tourism activities require marketing more than other economic sectors. Marketing to them involves promotional programmes, customer relations, networking with all others in the industry and related industries including government agencies and institutions such as legal agencies and financial institutions, marketing planning, continuous monitoring of the international markets as they are operating in an open environment and competition is already existing either from other small firms in Libya or from other courtiers being able to offer similar products to those offered by Libyan enterprises. The overall aim of concentrating on marketing is to grow and develop the business and in some cases to maintain the status quo of the business with minimising the affect of unforeseen developments that might occur in the international market. However, most of the owner-managers are still concentrating on short term marketing planning (3-12 months) and are reluctant to indulge in strategic planning merely because they prefer to take smaller and yet more steady steps and to be able to monitor and feedback than to enter the strategic phase which they see as difficult to deal with especially in the Libyan environment which can be at least described as unstable.

**6.6 Research findings and analysis related to research objective five:** *To contrast and compare the SME marketing practices revealed in the study with traditional marketing theory/concepts as embedded within the conventional marketing literature.*

Small firm marketing has continually showed that many traditional marketing theories are not wholly applicable to small business. This is mainly due to the unique characteristics exhibited by small firms (Cohn and Lindberg, 1972; McNamara, 1972; Carson, 1985; 1990; Hills, 1987; Peterson, 1989; Carson and Cromie, 1989; Brooksbank et al., 1992; Liu, 1995; Hogarth-Scott et al., 1996; Hill and Wright, 2001). This, however, does not mean that small firm owner-managers do prospectively engage in marketing, but that the form this marketing takes is not fully understood (Dunn et al., 1987; Hill and Wright, 2001; Blankson and Stokes. 2002).

Despite their perceived importance to economic well being, it is well documented that small firms suffer from high failure rates (Department of Trade and Industry, 1999; Monk 2000). The lack of marketing has been seen as one of the reasons for small firm failure (Cameron, 1986; Bruno and Leidecker, 1988; Hisrich, 1989; Carson et al., 1995; Fitchew et al., 1997; Stokes, 1998). Similarly, Molian and Birley (1995) cite various authors who argue that marketing deficiencies have prevented many small firms from performing and competing as well as they might (Kennedy et al., 1979; Barnes et al., 1982; Berryman, 1983; Peterson et al., 1983; Gibb and Scott, 1985; Ibrahim and Goodwin, 1986; Evans, 1987; Kinsey. 1987; Stokes, 1995). Furthermore, marketing appreciation is thought to be a key factor in small firm growth (Drucker, 1986; Cromie, 1990). However, while marketing is considered to be important to the small firm, the marketing discipline has stood accused of a lack of attention to small firms (Davis et al., 1985; Carson, 1985; 1990; Hills, 1987) and as such, the exact nature of marketing in small firms is not fully understood. Based on this, research that has investigated marketing in small firms; has typically been undertaken by applying models that have been derived from the experiences of large firms (Peterson, 1989; Meziou, 1991; Wyer and Carberry, 1998). Such an approach is criticised on the grounds that small firms are inherently different to large firms (Dandridge, 1979; Welsh and White, 1981; Storey, 1989; Carson, 1990b). As such, appeals have been made for research to take into account the unique characteristics of small firms (Pearce et al., 1982; Jennings and Beaver, 1997). Indeed, it is contended that the small firm sector merits its own

marketing theories (Carson, 1985; 1990; Carson and Cromie, 1990; Hogarth-Scott et al., 1996; Hill and Wright, 2001).

It is thought that one of the main reasons for this incompatibility between traditional marketing theories and small businesses is that traditional marketing models have been derived from research conducted in large organisations (Wyer and Carberry, 1998). However, small firms are thought to exhibit many characteristics that distinguish them from large firms, and researchers are alerted to the dangers of generalising results from large organisation settings to small firms (Dandridge, 1979; Pearce et al., 1982; Gibb and Scott, 1985; Jennings and Beaver, 1997). George (1968) (cited in Carson (1990b)) suggests that to be of any value, a model 'must bear some measure of similarity to the structure or process being modeled.' Therefore, marketing models that are applied to small firms ought to be derived from research based upon small firms. Indeed, it has become increasingly accepted that small firms are not simply scaled down versions of large firms (Dandridge, 1979; Welsh and White, 1981; Hills, 1987; Storey, 1989; Carson, 1990a; Culkin and Smith, 2000). Furthermore, it is thought that the differentiating features of small firms account for a number of marketing problems (Fitchew et al., 1997; Stokes, 1998). Mendham and Bannock (1982) believe the real differences between small and large firms lie in their respective objectives and management style.

Research at the 'interface' and other research aimed at uncovering the nature of small firm marketing (Carson, 1990b), have revealed that small firm marketing is, in some aspects, a distinctly different process to that described in traditional marketing theories. Therefore, the researcher's objective here is to identify traditional small firm marketing theory/concepts and compare them to SME marketing practices within the Libyan tourism industry. It starts by briefly explaining the small firm marketing theory/concepts which have been detailed earlier in Chapter Three of this thesis and then compare and contrast with practices from the Libyan tourism small businesses. It is thought that if firms are aware of these theories, they would be more conscious of this function. In this study small firms were found to be aware of the role of marketing in the development of

the small business but at the same time admit their lack of knowledge of the marketing theories in general or in relation to the small firm. The overall majority of businesses (99%) believe that SMTEs do behave differently to existing marketing theories applied to the marketing interface and only (1%) disagreed and stated that SMTEs do not behave differently to existing marketing theories (Table 6.17).

**Table 6.17: Small Firm Behaviour towards Existing Marketing Theories  
(Crosstabs)**

Chi-Square Tests					
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	74.000 <sup>b</sup>	1	.000		
Continuity Correction <sup>a</sup>	17.997	1	.000		
Likelihood Ratio	10.595	1	.001		
Fisher's Exact Test				.014	.014
Linear-by-Linear Association	73.000	1	.000		
N of Valid Cases	74				

a. Computed only for a 2x2 table

b. 3 cells (75.0%) have expected count less than 5. The minimum expected count is .01.

Data from the interviews also support SMTE owner-managers who were asked about the possibility of using the marketing tools available for the strategic planning of the firm which would then influence the marketing interface. The majority of SMTEs view marketing techniques as important for the business and planning is perceived by them as another important practice for the growth of the firm. Owner-managers use marketing techniques in their planning which they regard as having an influence on their business. The only difference is that owner-managers do not see themselves engaged in strategic planning more than short-term planning for periods of less than one year. For example they do not plan to promote themselves at international events as they are unaware of their financial situations which may lead them to giving priorities to other functions or matters rather than allocating it for attending such a promotional event. They are aware of the importance of such events but still review planning for the shorter periods as safer

to follow than the longer periods, which interprets that they still think that the effective use of marketing techniques in planning would influence the marketing interface.

The owner-manager of one of the leading tour operators commented:

*“Most SMTEs carry out planning for the short-term and in this sense they can and do use marketing tools for their planning.”*

This view is further supported by another owner-manager who stated that:

*“Marketing tools are used by SMTEs in their short-term marketing, which can still influence the marketing interface.”*

A similar view was given by another owner-manager who thought that marketing tools used for short-term planning do affect the marketing interface, he commented:

*“SMTEs use marketing tools for their short-term planning which I think can still influence the marketing interface.”*

Nevertheless, it was observed during the course of the interviews that the majority of firms had opted for marketing tools being used in planning and this would influence the marketing interface. As an owner-manager reports that:

*“The concentration of SMTEs is in short-term marketing, but being able to plan for the long-term would no doubt be of great value in the long-term and not in the short-term.”*

*“I think all business activities can influence the marketing interface and the marketing tools and strategic planning (if it exists) are no exception.”*

Once again this statement illustrated that marketing tools, used for not just strategic planning but even short-term planning, might affect the marketing interface, and also that all business functions would in fact have an affect (direct or indirect) on the marketing interface.

Data from the interviews supported previous results which illustrated how SMTE owner/managers perceive marketing in the small firm. The behaviour of small firms

towards existing marketing theories, which could be applied to the marketing interface provided different views and SMTEs did not explicitly state using marketing theories as part of the marketing function. During the course of the interviews several references were made to managing relationships and ensuring that marketing techniques are best used to the company's needs. This was stated by an owner/manager who commented:

*“They tend to use what is within their reach and with least costs (whether that is among marketing theories, SMTEs do not pay much attention to that)”*

A similar statement was given by another owner/manager who supported the previous statement:

*“They tend to ignore marketing theories and respond to developments in the market as they occur (responsive rather than pro-active marketing).”*

However, the general view amongst owner/managers was that they regarded their daily activities as being necessary for the running of the business whether or not these related to marketing. One owner/manager stated:

*“SMTEs tend to use marketing techniques and methods which they see appropriate whether they fall within marketing theories or not, I think SMTEs are not interested in that.”*

All previous statements supported the view that owner-managers are usually not aware of marketing theories, but this does not prevent them from practicing marketing according to their interpretation of what marketing is really about. SMTEs tend to move according to their financial and other resources available at the time and therefore cannot plan any activity for a long period of time. The research shows that marketing is perceived by SMTE owner/managers as one of their business priorities, although this may not mean the true value of marketing, instead it gives more attention to promotion and public relations through an extensive network with other businesses in the industry and other related industries as well as with government bodies and institutions. All the statements supported the fact that owner-managers are usually not aware of marketing theories as such, but their knowledge of the importance of marketing to all businesses in



general and tourism businesses in particular is evident in the answers they provided during the interviews. However, this does not prevent them from practicing marketing according to their interpretation of what marketing is really about.

Finally evidence from the interviews conducted with owner-managers revealed that marketing may not yet be fully recognised as a function of the business with its theories and practices, its practices are still widely used by all SMTEs owner-managers. This could be related to the fact that the small firm sector in the Libyan tourism industry is relatively new, and the private sector in the country was not allowed to operate for a number of years which gave way to the public sector, which saw no need for marketing activities as monopoly powers gave the large public companies all the support to be a leader in their field with hardly any competitors whether local or international.

However, the owner-managers see that being unable to identify marketing theories has its side effect on their marketing practices, but this does not hinder the owner-manager from carrying out his/her marketing practices as the business requires, which means that they usually act responsively rather than pro-actively.

#### **6.6.1 Marketing Approaches to Small Businesses**

The question here is do small firms approach marketing at all and if so? How do they do it? Many authors have concluded that attention to marketing is perceived at a particular stage of a company's development. Churchill and Lewis (1983) and Flamholtz (1986), claim that the importance of marketing is only apparent at the existence stage and then decreases as the company grows. However, Carson (1993) suggested that a small firm only realises the importance of marketing when they are faced with substantial change, usually at the growth or rapid decline of the business.

Romano and Ratnatunga (1995) have identified three categories that marketing small businesses fall into, these are: marketing as culture (consumer needs and competitiveness), marketing as a strategy (strategy development and developing market position), and marketing as tactics (the use of the 4P's to influence performance). Weinrauch et al (1991), argue that small firms still lack a strategic orientation. However,

Coviello et al (2000) point out that focusing on tactical approach will lead to marketing being put back to its traditional framework of transactional marketing, which might result in the small business adopting a relational approach that can participate in towards a practice of interaction and network approach to marketing. Wright (2002) concludes from this discussion that the characteristics of a small business and its manager/owner do not always encourage a marketing orientation and approaches to strategic planning are limited if in evidence at all.

Carson (1990) believes that small business owners adapt marketing to their own requirements, and according to some theoretical framework. They have a “distinctive marketing style” distinguished by an inherent informality in structure, evaluation and implementation and by being restricted in scope and activity, simplistic and haphazard, product and price oriented, and owner-manager involved.

#### **6.6.1.1 The Stage/Growth Model**

In the past researchers (Greiner, 1972; Adizes, 1989) have adopted general growth models to investigate the activities of businesses. Other researchers (Churchill and Lewis, 1983; Scott and Bruce, 1987; Steinmetz, 1969) have progressed a step further into developing growth models to represent the activities of small businesses. Attention was given to the different types of problems encountered and the consequent business activities and marketing behaviour of the small business or owner manager (Churchill and Lewis, 1983; Cooper, 1982). This approach can be categorised as ‘marketing as a functional problem’ and ‘marketing as a business philosophy’.

#### **I - Marketing as a Functional Problem**

As more emphasis has been placed on growth and development of the firm, marketing was not seen as the major research thrust. Marketing is believed to appear in the first stage ‘existence’, where the owner manager takes charge of most activities related to marketing and sales. At this stage the firm does not have a marketing system. When the firm experiences growth, less attention is directed towards marketing, and a marketing system develops and becomes systemised and formalised. Professional managers replace the owner-manager and take charge of the immediate marketing and sales functions.

With growth, marketing decreases from ‘critically important’ to modestly irrelevant’. Libyan small firms regard marketing through the steps they undertake as important for the firm throughout its different stages and they consider their networking as an essential ingredient for the success and development of the small firm.

## **II - Marketing as a Business Philosophy**

The development process and evolution concept have been used by Tyebjee and colleagues to depict the changes in marketing activity together with company growth. Four different stages are identified: Entrepreneurial Marketing, Opportunistic Marketing, Responsive Marketing and Diversified Marketing. Marketing does not exist or, at best, is performed in a very primitive fashion in new small firms. Successful small firms grow and evolve from a responsive and disjointed organisation to a firm with an integrative and proactive approach to marketing, while marketing activities evolve from entrepreneurial marketing to professional marketing.

This model suggests that any model dealing with marketing in small businesses must take into consideration the stage of development of the business (Carson, 1985; Tyebjee, Bruno, and McIntyre, 1983). This was the cornerstone of the framework as well as the starting point for further analysis. The stage/growth model is set on two assumptions: first the necessary change in business and the marketing practices of the owner or the enterprise to enable the smooth progression of the business from one stage to another; and second the awareness and ability of the manager to deal with problems arising at each stage.

### **6.6.1.2 The Management Style Approach**

This approach to small firm marketing has been classified as ‘look after itself’ marketing, ‘entrepreneurial’ marketing and ‘organisational’ marketing.

### **A - 'Look after Itself' Marketing**

Churchill and Lewis, (1983); Cannon (1980) assume that the marketing power of small firms and the attitudes of owner managers are only vital in the first stage. The importance of analysis and planning to marketing leads to the first problem for the responsive small business manager. Because the small business manager acts on day-to-day business dealing rather than putting and following a specific marketing plan (Scase and Goffee, 1980). The stage following the start up which is selling the enterprise's products and services is perceived by the small business manager as unproblematic. The owner/manager often rejects advertising and marketing research as they are regarded as expensive, difficult to quantify and an indicator of poorly managed business (Curran, 1988; Watkins and Blackburn, 1986). This clearly explains why small firms appear weak in relation to marketing orientation and reviews of the literature reveal that small firms are 'pulled' into this 'look after itself' type of marketing by the external environment and the organisational structure of the business.

### **B - Entrepreneurial Marketing**

The empirical finding of Smart and Conant (1994) reveal that the business people with higher entrepreneurial orientation report greater possession of distinctive marketing competences. It seems that the personal characteristics of entrepreneurs and the marketing behaviour of small firms are to some extent related. The misconception of many owner-managers of marketing also makes them take a negative approach to the markets they are serving (Brown, 1984). Ford and Rowley (1979) suggest that the marketing behaviour of small firms appears to be related to the motivation, belief, attitude and the objectives of the owner/manager, and also influenced by the limitations and constraints of the small business.

### **C - Organisational Marketing**

Leppard and McDonald (1987) report that the development and role of marketing planning alongside the firm's evolution are attributed to the influence of the organisation culture, as well as external factors. Stevenson, Roberts and Grousbeck, 1985; Stevenson

and Sahiman, (1986) and (1989); and Wilken (1987) propose the use of a behavioural approach to add new knowledge. They suggest that successful entrepreneurs are those who perceive opportunity, find the pursuit of opportunity desirable in the context of their life situation and believe that success is possible. Small firms who exhibit those activities are in fact practising marketing as their activities correspond to the competitive marketing concept, as defined by Hooley and Saunders (1993). This approach suggests that both the entrepreneurial characteristics and the marketing orientation of the owner-manager are important factors in understanding the marketing activities of small firms.

Covin and Slevin (1988) and (1989) have argued that organisational structure and the strategic marketing posture of small firms may influence performance. Research in these studies has suggested that a strong marketing and entrepreneurial orientation occurs when other elements in the organisational system provide a supportive context. Other research by Morris and Paul (1987) supported this finding, with an indication that companies who score highest in terms of entrepreneurial orientation also tend to be more marketing oriented, while at the same time suggesting that the marketing activities of small firms tend to be related to their organisational culture.

Further research by Carson and Cromie (1989) concluded three approaches to marketing planning in small firms, namely 'non-marketing', 'implicit marketing' and 'sophisticated marketing'. This has led to their suggestion that the need for fitting the marketing approach to suit the circumstances and characteristics of small firms and their owner-manager.

The major contribution of the management style approach is the acknowledgment of the importance of the small firm's specific limitations and constraints and in providing a useful explanation for the retarded development of marketing in small firms.

#### **6.6.1.3 The Management Function Approach**

The classical management theories classify marketing as a business function equal to finance, production and human resource management. Marketing as a small business

function is extensive and wide-ranging. It is seen as a 'peripheral business function', and 'essential ingredient in strategic planning' and a 'business philosophy'.

### **I - Marketing as a Peripheral Business Function**

Brown (1984) points out that owner-managers misconceive marketing and (Curran, 1988) adds they perceive it as unproblematic. Small firms tend to pay more attention to marketing when they experience different situations like the need to grow or when facing the crisis of survival (Carson, 1993). Broom and Longenecker (1979; Hazel and Reid (1973); Moss and Clarke (1990); Steinhoff and Burgess (1989) propose the use of the tactical marketing concept, the traditional 4Ps (McCarthy, 1960), as the prescription to assist small business owner managers grow or survive. However, Carson (1993) argues that treating marketing as a business function applicable to small business ignores the marketing limitations and constraints of small firms. The small firm owner-managers often interpret marketing as the 4Ps only and marketing is only applied in a 'general' sense. Carson further acknowledges that in such circumstance marketing is deemed peripheral to small firms.

### **II - Marketing as a Business Concept/Philosophy for Small Business**

This school considers marketing as one of the most powerful tools of the corporate strategist for planning. Cohen (1991) shows that the marketing plan for the small firm and the business (strategic) plan are in many ways identical; while management scholars such as Brown (1986); Colleran (1985); and Patten (1989) postulate that the strategic marketing concept should be the basic concept that governs the business. It is also important to note that these writers adopt a short or medium-term time horizon in their recommendations, which shows that they have in a certain way violated the rule of a long term orientation as the basic rules for effective marketing (Kotler, 1988). Waterworth (1987) proposes that small firms should use a long term planning strategy to benefit from opportunities and further argues that small businesses need the discipline of marketing and marketing planning.

The major contribution of the management function approach is the acknowledgment of marketing as both an important function and an essential concept in small firm growth and survival. More recently research studies have shifted from focusing on marketing functions and organisations, which emphasise marketing department, budgets, etc., to marketing philosophies and planning, which focus on how marketing is actually carried out (Baker and Hart, 1989; Hooley, Lynch and Shepherd, 1990; Piercy and Morgan, 1994). Nonetheless, small business researchers have not actively adopted this approach (Brooksbank, Kirby and Wright, 1992).

#### **6.6.1.4 The Contingency Approach**

The philosophy of the contingency approach lies in the fact that a number of different factors influence the small business's marketing performance. Hogarth-Scott, Watson and Wilson (1996) adopt the contingency approach to understand small firm marketing by assessing the external marketing environments of small firms. The research reveals that complex theories or sophisticated formal procedures are inappropriate for small firms and the small business owners would not have the time or the patience required to digest, let alone implement them. Carson (1990) made an attempt to develop an integrative approach to marketing planning that can be adapted in a flexible way to suit any small firm at whatever stage in its development and evolution. Six models are proposed. They are marketing limitations, level of generalisation, planning versus operations, adaptation of marketing theories, stages of marketing development, and level of marketing activities. These models and their characteristics are listed in the Table 6.18 below.

**Table 6.18: Small firm marketing models**

<b>Models</b>	<b>Characteristics/stages of models</b>			
<b>Model 1:</b> Marketing Limitations	Limitations of expenditure	Limitation of expertise	Limitations of impact	
<b>Model 2:</b> Levels of Generalisation	General concepts	Industry-specific	Situation-specific	
<b>Model 3:</b> Planning versus Operations	Minimal – where operations dominate.		Balanced – where there is a balance between planning and operations.	
<b>Model 4:</b> Marketing Planning Adapted for Small Firms	Limited adaptation		Substantial adaptation,	
<b>Model 5:</b> Stages of Marketing Development	Reactive	Tinkering marketing	Entrepreneurial marketing	Proactive marketing
<b>Model 6:</b> Level of Activity	Little or no marketing	Implicit and simple marketing	Explicit and sophisticated marketing	

Adapted from: Carson (1990)

The major contribution of the contingency approach is the acknowledgment that various factors influence the small firm's marketing performance. The basic assumption of the contingency approach is that strategy-performance relationships can vary across different environments and different firm size (Lee, Lee and Ulgado, 1993). In bridging the small business paradigm and the marketing discipline the contingency approach could help advance the body of knowledge on marketing in small business (Prescott, 1986; Zaltman, LeMasters and Heffring, 1982).

In comparison to small firm marketing within Libyan small tourism businesses we ought to look at each of the models and how they might fit or contradict with what small firms are already using in marketing their business. In model 1; there is a general agreement that small firms lack the necessary resources necessary to implement marketing in the small firm. In limitations to resources the best alternative to describe Libyan small firms would be limited which is described by Carson (1990) as "*where money and resources are expended with the sole objective of increasing sales*". In limitation of expertise;



where most of owner/managers have been engaged in other businesses before starting the tourism small firm, it appears that business rely on their owner/manager's self skills and connections to provide the necessary expertise for the small firm. This has been described by Carson (1990) as "*Self-help – where managers have taught themselves marketing through private study*". According to Carson (1990) the third limitation is limitation of impact which is derived from the previous limitations of expenditure and expertise. The majority of firms aim to cause maximum impact but due to the lack of resources and expertise, they usually end up with the minimal impact (with the exception of some companies who gain either limited or substantial impact) of the firm and its products or services in the marketplace. Therefore the impact a small business can make in the marketplace depends on the resources of the firm and expertise of its owner/manager which will determine the degree of impact the company maybe able to provide.

Level of Generalisation is introduced as model 2 which examines how the general principles of marketing are adapted to the situation in which a firm is operating. The majority of Libyan small firms operating in the tourism industry fall under the '*industry specific*' level where the firm follows the norms and practices of its industry. This is because most other industries within the Libyan economy, as well as tourism, have been heavily dependent on state run enterprises which neglected marketing in general and there was no competition in the market place as they were operating in a close environment because of the social system implemented in the country's economy.

Model 3 considers two different types of marketing decisions, planning (futuristic) and operations (immediate). Most of Libyan small firms can be categorised as firms dominated by operations '*minimal*' and even those who may carry out planning '*balanced*' (forecasting, setting objectives ad developing strategies), it usually focuses on the short term rather than long term.

According to model 4 which examines the extent to which a firm adapts broad marketing planning concepts and applies marketing techniques to suit its circumstances.

Libyan small tourism firms are found to use '*limited adaptation*' where a firm uses marketing techniques unsuitable to its needs. However, this does not prevent other firms from employing the management skills to apply '*substantial adaptation*' where the marketing techniques are refined to suit the characteristics of the firm and its environment.

Model 5 explores stages of marketing development derived from the evolution of marketing practices in the firm from when first established to the point at which it achieves a breakthrough to medium size, which covers four stages: *reactive; tinkering marketing; entrepreneurial marketing and proactive marketing*. As most of small businesses start with limited resources allocated for the business, they tend to be cautious on the way such resources are distributed. It appears that most Libyan small tourism businesses do follow this pattern of stages which does not necessarily lead them to fully explore the four stages. However, this does not happen through a short period of time and many small firms may face problems along this rather lengthy path to being able to develop and grow to become a medium-sized business. Many small firms do not have the desire to grow big but are keen to develop their business to be able to compete in the marketplace and to secure the future of the owner/manager and staff working in the firm.

Model 6 examines the techniques and operations of marketing in the context of marketing planning. It differentiates three levels of marketing activity:

- (1) *Little or no marketing* – occurs where a firm generally reacts to customer requirements, has little or no knowledge of the customer base or the market and has no clear purpose.
- (2) *Implicit and simple marketing* – arises in a firm which undertakes instinctive marketing as part of normal business activities, but it is fragmented because of lack of resources and expertise.
- (3) *Explicit and sophisticated marketing* – is a co-ordinated, integrated programme of marketing with a clear purpose and objective.

Libyan small firms can be listed under implicit and simple marketing as their limited resources are a major issue in their operations and therefore can not implement an

integrated programme, also because they view their business as seasonal and therefore can only deal with matters as they arise during their operations.

The comparison between the six models of small firm marketing to the actual marketing in the Libyan small tourism firms reveals that the majority of small firms fall under the categories identified by Carson in his models but the difference lies in the degree to which each of the models can be compared and how it can be tested to prove the degree of accomplishment attained by the small firm. Although small firms in the Libyan tourism industry are new and operating in a different environment, they can still benefit from such studies that will lead them to implementing the best alternative to suit their marketing needs and requirements.

**6.7 Research findings and analysis related to research objective six:** *To identify the entrepreneur/owner/manager characteristics which are relevant to the success of the small firm through the marketing interface within Libyan small and medium-sized enterprises.*

This section deals with issues related to the entrepreneur/owner/manager (EOM) responsible for running the small enterprise. The main aim of this section is to identify the characteristics of the entrepreneur/owner/manager and to have some knowledge of his/her background before running the present business and during their experience of running the business. This in turn will lead to finding out whether background knowledge, experience and abilities of the E/O/M are key determinants in the success of the small business through the marketing interface. The issue of knowledge, experience and abilities required by the small firm owner/manager to successfully apply marketing in an entrepreneurial small firm is one of the key strands of research at the Marketing/Entrepreneurship Interface. Carson et al (1995) identify four key competencies associated with entrepreneurial marketing management, namely experience of both the industry and the job, knowledge of the product and market, communication skills to direct the organisation and sound judgement in being able to identify good market opportunities, supported by high levels of perception and intuition. Judgement is also crucial in appointing key personnel and in identifying the correct type

of training/support required by the firm. In the entrepreneurial small firm, a wider range of skills and competencies needs to be developed. This scenario is gradually changing but awareness of the importance of a wide range of competencies is still low (Collinson and Shaw, 2001). Knowledge has been identified as a key organisational asset involving its creation, dissemination, and application as a critical source of competitive advantage (e.g. Lester, 1996; Lloyd, 1996; Marshall et al, 1996). This process is often seen as requiring the deployment of a combination of core skills and competencies, including those in information management as well as in human resource management and development (Lloyd, 1996). The research findings support the notion that background knowledge, experience and ability are major factors in the success of the small firm's marketing practices.

### 6.7.1 Characteristics of the Owner/Managers

The interviews carried out with owner/managers provide an industry case study scenario to enable identification of the characteristics of the owner/managers. The following details give an insight of the owner/manager characteristics which relate to their performance in running the business.

#### 6.7.1.1 Age of the Owner/Manager

With reference to interviews carried out with SMTEss owner/managers, more than two thirds of owner/managers are in the age range of 35-45. The remaining third are classified in the range 46-55 years of age. Table 6.19 shows these figures.

**Table 6.19: Age of Owner/Managers**

Age range of Owner/Managers	No. Of Owner/Managers
35 – 45 years	8
46 – 55 years	3
Total	11

In a later section results show that the majority of owner/managers have been working in other employment of which some were in positions related to the tourism industry, which explains why owner/managers fall under the two categories mentioned above and not below or over these two categories. However, this does not mean that there are no owner/managers from a higher or lower age group than those mentioned.

#### 6.7.1.2 Educational background

Data from the interviews shows that owner/managers of SMTEs in Libya had varying educational background (Table 6.20). Fifteen out of the sixteen interviewed (94%) hold a first degree or above. Two of the fifteen hold an MBA and two hold a Ph.D.

**6.20: Educational level of interviewees**

CLASSIFICATION	FREQUENCY	%
Ph.D.	1	9%
Masters Degree	1	9%
Bachelor Degree	8	73%
Secondary Certificate	1	9%
No Qualification	0	0%
<b>Total</b>	<b>11</b>	<b>100%</b>

#### 6.7.1.3 Previous experience

The past experience of the entrepreneur/owner/manager was researched to find out whether he/she was involved in owning or managing another business before the present one. More than two thirds (72%) said that they were involved in other businesses and this was not their first experience in running a business. The remainder of respondents (28%) said that the present business they are running is their first experience in owning and running a business.

The interviews also reveal that EOMs were encouraged to start-up their own business as a result of their past experience in tourism related activities and because tourism is relatively new in the country and is seen by many as the alternative to the two old industries - namely the industrial and agricultural sectors. In one case the owner/manager was motivated to start-up a business in tourism because of his long experience in the air transportation business, where others were motivated through working with friends in tourism businesses. Another important factor in starting-up the tourism business was that the owner/manager was born and bred in the area where tourists from both local and international markets have always visited. Another reason for starting-up a tourism business was because the owner/managers had studied the market to identify market opportunities available and developments in the tourism industry, their comments are given below:

*“I was looking for a market opportunity to start my own business and started investigating the different types of business opportunities and tourism was one of those options”.*

*“I was further encouraged by the number of businesses in tourism opened in the last two years which have exceeded all other business sectors, and this was the start of my business”.*

*“I have always wanted to start my own business but did not know how, and when more attention is focused on tourism I thought the moment has come for me to leave the job and start my own family business”.*

*“Tourism was a very attractive industry in the early and mid nineties, and this is what encouraged me and other friends to start our own company”.*

#### **6.7.1.4 Relation of previous experience to tourism activities**

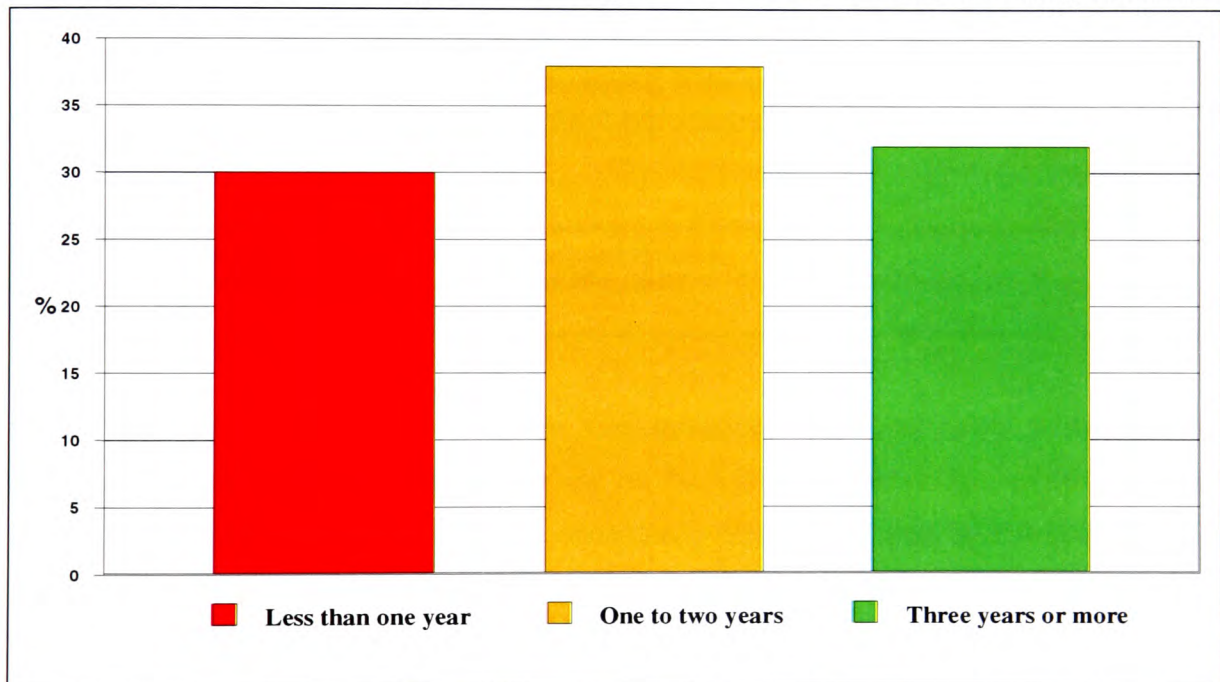
SMTE owner/managers who had past experience in other businesses before starting were also asked about the relationship of their past business to the tourism industry. More than half of the owner/managers' past experience was in tourism related activities and less than half of them (48%) said that their past experience was in industries other than tourism-related. Tourism-related businesses are now seen as prosperous, with assisted start-ups in tourism especially with the government's support and the Tourism

Master Plan. This is why people who are involved in tourism related businesses are starting new businesses in the sector and there are new entrepreneurs from other sectors.

#### 6.7.1.5 Length of previous experience

Owner/managers were asked about the length of time they had been running their last business with three options varying from less than a year to three years or more. The highest proportion of owner/managers (38%) had experience of between one and two years, followed by 32% who had three or more years of experience, and 30% had experience of less than one year in the previous business. Figure 6.28 represents groups of SMTE owner/managers according to their time in the last business.

**Figure 6.28: Owner/managers' time in previous business before starting business**



All results confirm that owner/managers' background knowledge, experience and ability are key determinants in the success of SMTEs through the marketing interface. Past experience, survival and growth of the firm, increase in the number of tourists,

participation in international promotional events are all indicators of the role of SMTE entrepreneur/owner/managers in the development of the industry.

This is further supported by the statistical analysis (Chi square test) presented in Table 6.21 which shows that the majority of SMTE managers regard owner/managers' background experience, knowledge and abilities as extremely important competencies for the successful application of marketing in the small enterprise. This is illustrated by the positive relationship amongst these three important factors in the marketing interface.

**Table 6.21: The relationship of Knowledge, Experience, and Abilities of Owner-managers to the success of Small Firm Marketing (Chi-Square Test)**

Test Statistics	
	Background knowledge, experience and abilities of the manager are key determinants in the success of the business through the marketing interface.
Chi-Square <sup>a</sup>	70.054
df	1
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 37.0.

Further to the results obtained from the questionnaire, interviews with selected owner/managers supported the same view on background knowledge, experience and abilities of SMTE managers as being considered key factors and determinants of the SMTEs' success through the marketing interface. The interviews further support the importance of the knowledge, experience and ability of the manager for the success of the business. Interviews showed clearly that previous experience, knowledge and ability were declared as the main determinants of the firm's success. A number of owner-managers argue that the main reason for their success was largely because of their past experience and knowledge. This was supported by a number of owner-managers. One owner-manager added another important factor, he stated:



*“The three factors mentioned are all important in determining the success of SMTEs, but I would like to add that in the Libyan environment having good relationships with different people at different levels would seem to be a very determinant factor as well.”*

There is no doubt that these factors are seen as important and therefore regarded by owner-managers as key points in the management of the business, and this is why owner-managers see them as important factors. Owner/managers interviewed stated clearly that previous experience, knowledge and ability were declared as the main determinants of the firm's success. A number of owner-managers argue that the main reason for their success was largely because of their past experience and knowledge.

There is no doubt owner/managers play an important role in the development of the industry through their activities in their own small firm environment. This is regarded as a collective effort for all SMTEs to strengthen tourism to become a real alternative to other economic sectors in the country. SMTE owner/managers' progress seems to be improving and with it the industry is also becoming a more important sector of the economy. However, this does not relieve the government from its vital role in providing the necessary infrastructure for the industry and to find ways of supporting the small firm sector as it is the most effective industrial sector in the country. Factors such as background knowledge, experience and abilities of SMTEs' managers are considered by owner-managers as key factors and determinants of the SMTEs' success through the marketing interface.

## **6.8 Conclusion**

Although the tourism industry is relatively new in the country, the research shows that it could play a major role in the future of the Libyan economy. This study has found that small and medium-sized enterprises are the dominant sector of this industry and the government realises how important this sector could be and would like to provide the necessary support. However, the research shows that the sector does not regard

government action as encouraging even though it is thought that the government is serious.

This research has identified the Libyan tourism industry and all its stakeholders (public and private) and the size of the small firm sector within the industry. It also considers how small and medium-sized enterprises are operating, and what characteristics distinguish owner/managers. It further investigates the management functions of the small firm, and in particular the marketing interface within the sector and the industry. It considers how the marketing interface is perceived by the small firm owner/manager and the obstacles that affect the industry. The research shows that although small firm owner/managers may not be fully aware of marketing techniques and theories for the small firm, they still regard marketing as one of the most important functions of any small business.

The research findings show that the Libyan tourism industry is relatively new as it has only been operating since the second half of the nineteen nineties. It consists of both public and private sectors, and the government regards the industry as the real long-term alternative to oil. However, actions taken by the government show a lack of determination in developing the industry which is evident in the slow actions of the public sector in implementing plans put forward by the World Tourism Organisation to develop the Libyan tourism industry. On the other hand the SMTE sector is taking the initiative to move the industry forward by mobilising the resources necessary to allow it to succeed.

As small and medium-sized tourist enterprises form the majority of businesses within the industry (99%) and that the highest proportion of these enterprises fall under the private sector, the research has studied this important sector for the industry. The private sector is relatively new in the country's economy since it used to rely on state owned businesses until the mid nineteen nineties when laws were introduced to allow the formation of private enterprises in all sectors of the economy. The tourism industry was seen as new and different to other industries in the country which encouraged more

people to start-up their own businesses in tourism. Results show a considerable proportion of businesses had experience in tourism related activities before starting their own business, but this did not prevent others from entering the small business sector in tourism as the sector was more attractive due to the attention the industry received from government actions to develop the industry and the success of small firms early in the business development stage. The study also looked at the small firm marketing theory/concept and in particular the focus on the small firm marketing models introduced by David Carson and how they compare to the activities on marketing amongst Libyan small tourism firms.

Entrepreneurs/owner/managers form the major part of this study. The research supports the proposition that background knowledge, experience and the ability of SMTE owner-manager are key factors in the success of the small firm. The E/O/M educational background, past experience and business and financial performance of the business under their leadership were also analysed. In addition to qualities possessed by the owner-managers, they see that the use of marketing tools in the planning process whether strategic or short-term would no doubt have an effect on the marketing interface. However, the owner-managers consider that being unable to identify marketing theories has its side effect on their marketing practices. Consequently, this does not hinder the owner-manager from carrying out marketing practices as the business requires which means that they usually act responsively rather than pro-actively, which proves that their experience, knowledge and abilities are key determinants.

Marketing is a key issue in this research, and therefore more attention is given to this important and yet neglected function of the small business. Research identifies that not all SMTEs have a marketing department, but the majority consider marketing as the most important amongst all business functions, and SMTEs allocate the highest proportion of their budget towards marketing when compared to other functions. Planning tends to take the short-term direction rather than the long-term and this is due to the uncertainty the small firm faces as well as the limited resources most small businesses experience. All SMTEs regard the use of IT as vital in today's global

business environment; however, they still limit their use of the Internet only to some of the many services available. The marketing interface is perceived by owner/managers as very important as it could have either a positive or negative effect on businesses. If it is dealt with effectively and factors determining the interface are carefully monitored, then the outcome will be positive. On the other hand if factors are ignored and the marketing interface is left unattended then there will be a negative result.

Evidence from the interviews conducted with owner-managers revealed that marketing may not yet be fully recognised as a function of the business with its theories and practices, and these practices are still widely used by all SMTE owner-managers. This could be related to the fact that the small firm sector in the Libyan tourism industry is relatively new, since the private sector in the country was not allowed to operate for a number of years which gave way to the public sector. There was therefore no need for marketing activities as monopoly powers gave the large public companies all the support to lead the field with hardly any competitors whether local or international.

Results from this study show that all SMTE owner-managers regard the marketing interface as an important issue for the development of their businesses. However, they also emphasise the role the public sector has to play especially the governmental bodies who are responsible for policy making and shaping the industry's directions. Owner-managers agreed that factors exist that hinder the development of the industry but they are still optimistic and consider future years as shaping the industry in Libya and World-wide.

## **CHAPTER 7: CONCLUSIONS & RECOMMENDATIONS**

## CHAPTER 7

### CONCLUSIONS AND RECOMMENDATIONS

#### 7.1 Introduction

The small firm, as a locus of economic activity and, by inference, wealth creation, is a compelling topic of research. That most firms are small, having started small and perhaps remaining small means that this type of “economic entity” is both ubiquitous and persistent. The small business is regarded as an important ingredient in the economic growth of any nation. This is due to the valuable contributions small firms make towards developing the economy. Marketing is an important function for all businesses large and small. However, marketing practises are different in small firms, and the marketing theories applied to large firms do not necessarily mean it would work in the same manner for the small business. It is particularly important for the small firm due to the limited resources available to them. The role of the marketing interface is an important issue for the growth and development of the small firm. The aim of this study is to examine the concept of the marketing/entrepreneurship interface within the context of growth-seeking Libyan tourism SMEs. In addressing this aim, six sub-objectives are developed to investigate the role of the marketing interface in the development of small and medium-sized enterprises within the Libyan tourism industry.

The objectives of this research concentrate on issues contextualising the marketing/entrepreneurship interface within Libyan small and medium-sized tourist enterprises (SMTEs). The research objectives are as follows:

**Objective one:** To gain an insight of the small and medium-sized enterprises within the Libyan tourism industry.

**Objective two:** To determine the key dimensions and parameters of what constitutes the marketing/entrepreneurship interface for Libyan tourism SMEs.

**Objective three:** To enhance understanding of the management processes, activities and abilities embedded within the marketing/entrepreneurship interface across a variety of Libyan tourism SME development contexts.

**Objective four:** To identify those management processes and activities which represent small business marketing activities within the participant tourism SMEs.

**Objective five:** To contrast and compare the SME marketing practices revealed in the study with traditional marketing theory/concepts as embedded within the conventional marketing literature.

**Objective six:** To identify characteristics of the entrepreneur/owner/manager which are relevant to the success of the small firm through the marketing interface within Libyan small and medium-sized enterprises.

This section outlines the conclusions in relation to each of the research objectives which address the overall aim of the research. The discussion then focuses upon key implications that emerge from this study. Firstly, the implications for the small firm sector and then the implications of the marketing interface. The chapter concludes by outlining suggestions for new research areas.

## **7.2 Conclusions pertaining to the Research Objectives:**

### **7.2.1 Conclusions pertaining to Research Objective 1:**

Research objective one is to gain an insight of the small and medium-sized enterprises within the Libyan tourism industry.

The tourism industry in Libya is relatively new and no previous comprehensive research has been conducted, apart from the Tourism Master Plan which is sponsored jointly with the World Tourism Organisation, United Nations Development Programme and Libyan Ministry of Tourism, and executed by the UK High-Point Rendel Economic Studies Group and Libya's National Consulting Group. Therefore, it is important to consider the industry in more detail and how owner/managers view the management functions of the small firm in light of resources available. Research objective one explores issues such as the Libyan tourism industry, the small firm within the industry and most important the management functions of the small firm.

Chapter four and chapter six presented the background to the Libyan tourism industry, which included the historical development of the industry's structure. They described the industry and its relationship with SMTEs in more detail. From these two chapters statistical data emerged, which are thought to capture the nature of the industry in general.

As presented in chapter 6, the analysis of the findings identified how small businesses view the Libyan Tourism Authority. The study revealed a number of issues related to this research objective, and how SMTEs regard the importance of local tourist offices and the reasons for their importance. Further findings showed how SMTEs translate their views about the role of the Libyan General Board for Tourism (which is the highest authority at the time of conducting the questionnaire and interviews). The study further considers the relationship between SMTEs and local communities and amongst themselves. In the tourist questionnaire, tourists were asked to comment on the Libyan tourism industry as a whole, and the majority of tourists (89%) rated Libyan tourism as acceptable but requiring some improvement.

Libyan Small and Medium-sized Tourist Enterprises were given greater consideration as there were no studies of the small firm sector within the Libyan tourism industry. In fact, there has been no previous research into small and medium-sized enterprises in the Libyan economy. This is because the small firm sector is relatively new in the country as it is heavily dependent on state run enterprises and state monopoly. The research identifies the number and type of enterprises operating in the industry. An early survey conducted for this study revealed that Libyan SMTEs consist of many businesses in more than fifteen categories ranging from tour operators to souvenir/gift shops.

The research also identified the type of ownership within small firms where the majority (80%) are individually owned businesses. The location of these businesses was also included in the study and the locations of the businesses which participated in the questionnaire were identified. The study continued the assessment of the small businesses by investigating the number of businesses established during the last five



years, which indicated the demand for service providers for the tourism industry in the country. Further results showed the full and part-time employment figures among small businesses. This section also looked at business performance in terms of overall performance, number of tourists and financial performance during the last five years which showed that despite the September 11 attack in New York tourism is flourishing and more businesses are still entering the tourism field.

### **7.2.2 Conclusions pertaining to Research Objective 2:**

Research objective two is to determine the key dimensions and parameters of what constitutes the marketing/entrepreneurship interface for Libyan tourism SMEs.

All SMTE entrepreneur/owner/managers identify the marketing interface as the process of finding out how SMEs perceive and undertake marketing in their business. A smaller proportion regard the marketing interface as a fundamental variety of forces within and beyond the organisation, and just less than half of SMTEs consider the marketing interface as a force that exists between the SME and external social entities.

The marketing interface is regarded as very important by all SMTE owner-managers, as it may affect the business either positively or negatively. In fact, some of them regard it as extremely important for the survival and growth of the business. The identification of the marketing interface by SMTEs led the researcher to find out how they view the importance of the marketing interface for business growth and development. The research found that the majority (99%) of SMTEs see the marketing interface as important for business survival and growth. The marketing interface is viewed by owner/managers as an important aspect in the small firms' growth and development. This is further confirmed by considering the marketing interface as a necessity for the survival of the small business. Owner-managers agreed to the importance of the marketing interface for survival growth and development of the small firm. It is of more importance to identify the factors most influential in the marketing interface. The research identified ten factors which are considered to be important for the marketing interface of the small business. The research also identified the factors that have the

greatest degree of influence on the marketing interface within the small firm operating in the tourism and hospitality industry in Libya; they were identified as follows:

- Accessibility / signage;
- After sales support;
- Currency exchange;
- Electronic facilities;
- Friendliness of staff;
- Information provided;
- Multi-lingual provision;
- Opening hours;
- Quality of services; and
- Security.

Owner/managers regard all factors to be important, however, their degree of importance varies from one factor to another. This is due to the fact that some issues are not considered important such as electronic facilities and currency exchange. The institutions in control still fall behind the rest of the World in such matters. Other factors were raised by the owner-managers interviewed for the purpose of this study, these included: Budget allocation; Local communities; the governmental regulations (or lack of); Management style. It is through the understanding of such factors that owner-managers can work towards eliminating the risk these factors might place on the marketing interface of the small business and through better use of resources available SMTEs can overcome the dangers that these might lead them into.

The research has highlighted the fact that although forces are not under the control of the small firm, they are not ignored; in fact the owner/manager tries to deal with situations as they unfold and manage such factors within the resource limits of the small firm which might prove insufficient in many circumstances. It is also noted that owner/managers learn from their past experience of similar situations to deal with future ones. Some situations would repeatedly occur in the small firm environment which are easily dealt with by the owner/manager; other situations may need further investigation

and assessment by the owner/manager as they are new and the owner/manager has not come across similar situations in the past. This is proved in organisational single and double learning which was explained in chapter three of this thesis. It is through learning that the owner/manager identifies how best to deal with issues and situations that they have to face in running their business activities. This also acknowledges the fact that background knowledge, experience and abilities of SMTEs' managers are considered as key factors and determinants of the SMTEs success through the marketing interface.

Further to the forces identified earlier the research has also pointed to the other issue affecting the marketing interface which represents barriers affecting the marketing interface. Barriers identified included: *Financial facilities; Government; Tourism training and education; Environmental issues; Use of technology; Tourism research and development.*

Owner-managers agreed that these barriers do exist in their environment which in their view hinders tourism businesses from developing and growing.

Financial facilities were top of the list for owner-managers, as the financial system is very static and does not allow freedom of money transfer and many restrictions are in force in money transfer, credit facilities and loans provided for the small firm sector. All the managers who participated in the study agreed that this was the greatest barrier towards a healthy development of the tourism industry especially when dealing with the international market where swiftness and enhanced facilities are indispensable for any industry to develop. The rest of the barriers identified are considered to hinder the industry from growing except for environmental issues where the majority view these as no threat due to the awareness amongst visitors to the importance of environmental issues in the industry.

### **7.2.3 Conclusions pertaining to Research Objective 3:**

Research objective three is to enhance understanding of the management processes, activities and abilities embedded within the marketing/entrepreneurship interface across a variety of Libyan tourism SME development contexts.

In terms of management functions, small businesses were investigated to find out which of the functions they regard as more important to their business. Results showed that all small businesses regard management functions as important to their growth and development. However, they regard public relations, information technology and marketing as the most important of all functions. The research found that business planning was regarded as important to the small firm as more than 90% of businesses undertake the planning function as part of their management function. However, a high proportion plan for one year or less and only carry out informal unwritten planning. The research also found that SMTE owner/managers are serious regarding the expansion of the business with more than 75% supporting expansion and the remaining think that they will remain the same. This also indicates that owner/managers are very optimistic regarding the industry as none of them suspect business decline. The study showed that expansion included the number of customers, financial turnover, and number of employees as well as competition with other businesses.

#### **7.2.4 Conclusions pertaining to Research Objective 4:**

Research objective four is to identify those management processes and activities which represent small business marketing activities within the participant tourism SMEs.

Recent research (Cohn and Lindberg, 1972; McNamara, 1972; Carson, 1985; 1990; Hills, 1987; Peterson, 1989; Carson and Cromie, 1989; Brooksbank et al., 1992; Liu, 1995; Hogarth-Scott et al., 1996; Hill and Wright, 2001) have revealed that traditional marketing theories are not applicable to small business marketing. This is mainly due to the unique characteristics exhibited by small firms. However, small firms are still engaging in marketing activities.

The study shows that small firms pay more attention to marketing than any other business function. Many marketing activities are conducted by small firms which they regard as vital for small business survival and growth. Small tourism firms in Libya have emphasised the necessity of networking and participating at international events related to their industry which in their view allows them to keep in touch with all related parties.

Finally, evidence from the interviews conducted with owner-managers revealed that marketing may not yet be fully recognised as a function of the business with its theories and practices, its practices are still widely used by all SMTE owner-managers. This could be related to the fact that the small firm sector in the Libyan tourism industry is relatively new, and the private sector in the country was not allowed to operate for a number of years which gave way to the public sector. This was no need for marketing activities as monopoly powers gave the large public companies all the support to be leaders in their field with hardly any competitors whether local or international.

However the owner-managers see that being unable to identify marketing theories has its side effect on their marketing practices, but this does not hinder the owner-manager from carrying out his/her marketing practices as the business requires, which means that they usually act responsively rather than pro-actively.

Small firms' behaviour towards existing marketing theories may seem to be different to larger firms. This appears to be a somewhat true statement in the Libyan small tourism firm environment. The main reason for this is the lack of awareness of existing marketing theories. The fact that marketing theories are not entirely applicable to small firms is a major restraint in the application of such theories. Nevertheless, small firms do carry out marketing practices according to the best of their knowledge and awareness of marketing. Owner-managers of Libyan small businesses tend to apply marketing to the business on the basis of providing what each stage of the business cycle requires. This means that they carry out marketing to suit their activities such as participating in tourism fairs or contacting clients to explain services provided or products developed. SMTEs use marketing tools for short-term marketing which in their view can still influence the marketing interface. Owner-managers also referred to managing relationships and ensuring that marketing techniques are best used to the company's needs. This illustrates that although owner-managers are not aware of marketing theories, they still perform marketing according to their interpretation of the marketing process. However, all enterprises use different marketing tools to promote their business, but small firms may not be able to use all the tools available due to lack of financial

resources as well as marketing expertise. The first issue was to determine whether the small firm has a marketing department or not. The research findings show that more than half the businesses have an official marketing department and the other half do not have such a department but carry out marketing without being aware of the fact that what they do is part of marketing. The research also identified that all small firms operating in the tourism industry (whether they have a marketing department or not) regard the function of marketing as essential for the business. Small businesses with a marketing department responded that an informal method of marketing planning is accepted by most of them (67%), and only 18% of small firms with a marketing department use a formal market planning process. SMTEs also showed that a substantial proportion of their budget is targeted towards marketing activities. Almost one fifth of businesses allocated 10-20% of their budget for marketing activities, and nearly two thirds of businesses allocate 10% or less towards marketing activities. Further, SMTEs emphasised the importance of marketing through showing that more than two thirds plan marketing activities six months in advance to allow a response to any changes in the market place, compared to 14% of businesses who plan their marketing schedule one year in advance. This proves that small firms regard marketing as more important than many other functions in the business.

Promotional activities are considered a vital ingredient in the marketing mix of any tourism product or service. SMTEs see promotion programmes as a reflection of the firm's activities and therefore approach it with great care. This is obvious in the way promotions are carried out in the small firm, where all businesses either use promotional materials now or plan to use them in the near future. Brochures are the most widely used method since more than nine out of ten firms use them. Promotional methods used by small firms also included discounted prices, sponsorship, Internet promotion, international tourism shows, local and national advertising and publicity and the use of promotional materials such as calendars, pens and stickers. As part of their market planning, small businesses tend to assess and evaluate the market they operate in. Nearly half of the SMTEs carry out a formal market assessment which involves criteria such as customer needs, development of new products/services, competition, effectiveness of

marketing, visitor numbers, visitor satisfaction and the development of international markets.

#### **7.2.5 Conclusions pertaining to Research Objective 5:**

Research objective five is to contrast and compare the SME marketing practices revealed in the study with traditional marketing theory/concepts as embedded within the conventional marketing literature.

It is thought that one of the main reasons for this incompatibility between traditional marketing theories and small businesses is that traditional marketing models have been derived from research conducted in large organisations (Wyer and Carberry, 1998). Libyan small tourism firms are thought to exhibit many characteristics that distinguish them in their own environment.

Previous research has revealed that small firm marketing is a distinctly different process to that described in traditional marketing theories. Therefore, the study's objective here is to identify traditional marketing theory/concepts and compare them to SME marketing practices within the Libyan tourism industry. The study found that the majority of small firms operating in the Libyan tourism industry are unaware of marketing theories. However, this does not confirm with previous research that found that such firms would be less conscious of this function. In this study small firms were found to be aware of the role of marketing in the development of the small business but at the same time admit to their lack of knowledge of marketing theories in general or in relation to the small firm. The overall majority of businesses (99%) believe that SMTEs do behave differently to existing marketing theories applied to the marketing interface and only (1%) disagreed and stated that SMTEs do not behave differently to existing marketing theories.

Comparison of the six models of small firm marketing to actual marketing in Libyan small tourism firms reveals that the majority of small firms fall under the categories identified by Carson in his models but the difference lies in the degree to which each of the models can be compared and how they can be tested to prove the degree of accomplishment attained by the small firm. Although small firms in the Libyan tourism industry are new and operating in a different environment, they can still benefit from

such studies that will lead them to implementing the best alternative to suit their marketing needs and requirements.

All previous statements supported the view that owner-managers are usually not aware of marketing theories, but this does not prevent them from practicing marketing according to their interpretation of what marketing is really about.

Restrictions imposed on SMTEs make them move according to their financial and other resources available at the time and therefore they cannot plan any activity for a long period of time. The research shows that marketing is perceived by SMTE owner/managers as one of their business priorities, although this does not highlight the real significance of marketing for the small firm, instead it gives more attention to promotion and public relations through an extensive network with other businesses in the industry and other related industries as well as with government bodies and institutions. All the statements supported the fact that owner-managers are usually not aware of marketing theories as such, but their knowledge of the importance of marketing to all businesses in general and tourism businesses in particular is evident in the answers they provided during the interviews. However, this does not prevent them from practicing marketing according to their interpretation of what marketing is really about.

#### **7.2.6 Conclusions pertaining to Research Objective 6:**

Research objective six is to identify characteristics of the entrepreneur/owner/manager which are relevant to the success of the small firm through the marketing interface within Libyan small and medium-sized enterprises.

Entrepreneur-owner/managers play an important role in the success or otherwise of the small business. It is therefore necessary to highlight some of the characteristics of entrepreneur/owner-managers, through identifying their characteristics within Libyan SMTEs. The main purpose of this section is to analyse data on the personal characteristics of the owner/managers which includes data on educational levels, detailed work history and the relationship to tourism and tourism related businesses.

The results show the following:

- *Gender:* the majority of entrepreneurs are male;



- *Educational background:* more than 90% of entrepreneurs hold a first degree;
- *Experience:* the majority of business managers (more than 80%) had past experience in other businesses, and;
- *Tourism related:* more than half of those managers had their experience in tourism and tourism related businesses;
- *Ownership:* the overall majority of businesses are individually owned by the owner/manager;
- *Funding of the business:* banks play a minor role in financing small businesses in Libya. This is supported by the results of the study which showed that small businesses rely heavily on the businesses own funding and private investor funding which includes friends and relatives financing the project especially the development of an existing project.

In accordance with research objective 6, which aims to identify characteristics of the entrepreneur/owner/manager, and whether they determine the success of the small firm through the marketing interface. The success of the small firm is often dependent on the vision of the owner-manager who in the majority of cases plays a dominant role in driving the business forward and is often in charge of most, if not all, functions of the business. Therefore, their knowledge, experience and abilities in managing the business as well as being aware of the business's strengths and weaknesses and foreseeing opportunities and threats, could be a vital step for the development of the small business. The research shows that such identification is important in the understanding of the the marketing interface within Libyan small tourism businesses. The fact that more than 90% of owner-managers hold a university qualification further supports the need for them being knowledgeable, and education can play a leading role in increasing their knowledge. Owner-managers in this research reported that they had previous experience, although not all were in tourism related businesses, nevertheless they had past experience, and almost a third had experience of more than three years in running other businesses which led them to seriously consider starting their own business.

Business performance of the small firm is seen as an indication of the growth and development of the business. It is often the owner-managers' abilities in running the business that can help maintain an acceptable performance of the business even through setbacks. In this research business performance as well as financial performance during the last five years for firms (who have been operating that long) are analysed. The results show that businesses improved in performance even during the industry's 'black days' due to the World events that affected the world tourism industry. Factor analysis showed that businesses experienced a better performance during the years 1998-2000, and even in 2001 and 2002 most businesses continued with "reasonable" performance. In general owner-managers regard knowledge, experience and abilities as key determinants in the success of the small firm's marketing practices, where they pointed to the fact that their success in managing the business successfully was strengthened by their past experience and knowledge of the industry. Learning has played an important part in the success of the small firm through its owner/manager who in most cases rely on their past experience in analysing situations as they arise and deal with them accordingly. Although owner/managers admit that not all situations have occurred in the past but they regard their experience and their knowledge on their culture and environment make them able to judge situations and take the right decision.

### **7.3 The overall contribution of this research**

This research has analysed the small and medium-sized enterprise sector within the Libyan tourism industry and the role of the marketing interface in the development of this sector. The results of the research were gained from three perspectives, the SMTE owner-managers (questionnaires and interviews) and the holidaymakers, who had first hand experience with products and services the Libyan tourism industry and its institutions are providing. The overall contributions of the research are summarised below:

The first major contribution of this research is the study of the marketing interface in small and medium-sized enterprises. Increasingly, SMEs play an important role in the global economy and the understanding of the contributions the marketing interface makes towards the development of any industry is important.

The second major contribution of the research is the study of the marketing interface in the context of the developing economy in general and Libya in particular. There have been no such studies in Libya and for this reason it could make a significant contribution to the understanding of how the interface might be essential to Libya as it develops its small firm sector as an 'engine' of economic growth. The Libyan economy has been heavily dependent on the public sector to fund the growth of the economy. This research could contribute towards the understanding of how the marketing interface can be developed, encouraged and managed in small and medium-sized enterprises so that they can have a fundamental role in the Libyan economy.

The third contribution of the research is the conceptual framework which could be developed towards greater understanding of the marketing interface and factors which could drive the interface into either a positive or negative effect upon the small firm. The combination of criteria for the marketing interface and factors affecting it and the background knowledge experience and abilities of the owner/manager as a conceptual framework for the development of the firm and then the industry can thus be considered a useful contribution to knowledge in this field of study.

- This research began with defining the size of the small firm sector and identifying the types of enterprises classified under the umbrella of the Libyan tourism industry. It also looked at the type of ownership among SMTEs, as well as location of the business and year of establishment. It further looked at the relationship between the public sector and its organisations and the private sector. This research is the first to identify the number and type of enterprises operating in the industry.
- The importance of the marketing interface and its key dimensions and parameters within Libyan small and medium-sized enterprises, and the potential role it plays towards the survival and growth of SMTEs was considered a major contributor for the marketing interface. Libyan SMTE owner-managers stated that a number of issues can in fact impose positive/negative effect on the operations of the firm.

- The research also studied the small firm's management processes, activities and abilities embedded within the marketing interface within Libyan tourism small firms. It looked at how management functions are perceived, and what small business regard as essential for them in order to develop and grow.
- The management processes and activities which represent small business marketing activities within Libyan small tourism enterprises were also investigated. Marketing tools used by Libyan SMTEs and how they plan their marketing activities within their limited resources were considered. Promotional programmes were the most widely used tool amongst SMTEs. Budget allocations towards marketing activities as well as the use of market planning within small firms and the time span for it were also identified.
- Small firm marketing theories have been investigated in comparison to marketing practices carried out by Libyan SMTEs. In this research, it was discovered that Libyan small firm owner-managers in some cases are not aware of existing marketing theories and even if they are aware they may not be applied since they only apply what they see as appropriate to the needs of the market they are serving and the stage of the business.
- The research also highlighted the characteristics of the owner-managers within the Libyan tourism industry, their educational background, experience, relatedness to the tourism industry, their sources of finance and relations with other SMTEs and governmental organisations and institutions.
- Learning has proved a key factor in the success of the owner/manager whose knowledge, experience and abilities have contributed to the success of the small firm in its marketing interface. The research showed that owner-managers in the tourism industry do hold a university educational qualification and the majority have experience in previous jobs and more than half of the owner-managers have experience in tourism and tourism related businesses. Business performance was

also seen as a reflection of the owner-manager's ability in managing the business, and the majority of businesses are optimistic about the future of the industry and that an increase in business activities is more noticeable.

To conclude, one of the major contributions of this thesis is the acknowledgment that the marketing interface could have a serious impact on the small firm, and in order for the small business to succeed, it ought to pay more attention to its marketing activities and plan ahead in order to develop and grow in unforeseen circumstances surrounding the development of the international market in which tourism businesses operate. The application of the marketing interface demonstrates that researchers should focus on the issues related to the interface. Also, another major contribution of this thesis is the identification of the SMTE entrepreneur/owner/managers' characteristics. In short, the thesis suggests that researchers examining small firm marketing should pay more attention to the marketing interface. While possessing limitations, the thesis indicates that small enterprises are playing a major role in the development of the Libyan tourism industry.

#### **7.4 Best Practice (Libyan SMTEs)**

This research aims to provide a wide range of performance measures across the Libyan small tourism business sector. It encourages the use of benchmarking to measure performance against quality standards achieved in better-performing organizations. Benchmarking has an important role in terms of highlighting how quality errors can be avoided and cost control improved.

The researcher suggests that Libyan SMTEs should analyse their own strengths and weaknesses on a continuing basis and compare them with those of their competitors. As each company develops, it may use the approach to benchmark its performance on a regular basis.

A more encouraging system should be introduced to eliminate barriers (lack of time, knowledge or resources and fears about commercial confidentiality). Such a scheme should be facilitated by external agencies which could prove very effective in improving the take-up of benchmarking in the small firm.

Owner/managers in the tourism industry generally lack knowledge of management techniques. This could be translated into scepticism of benchmarking; however, many owner/managers are already undertaking informal benchmarking as a natural part of their competitive strategy - comparing tour packages and prices of perceived competitors. This is fine as far as it goes, but is limited in scope - restricted probably in terms of geography and a limited view of who their competitors are. Through measures to increase effective benchmarking, owners and operators can be encouraged to become more strategic in their planning.

The benchmarking process can be summarised in the following four steps:

1. Planning, i.e. decide what will be part of the benchmarking exercise and who will contribute to it;
2. Information gathering in order to establish the comparison basis;
3. Analysis of the gaps between the enterprise and its partner(s), on an individual or collective basis; and
4. Adoption or implementation of changes in the enterprise in order to correct the situation, if needed be.

Libyan SMTEs regard networking as one of the essential ingredients of their success. Most networking is through personal contacts and tourism related national and international events such as tourism fairs. SMTE networking has been characterised as being: informal, loose, unstructured, spontaneous, reactive and structured around and conforming to industry norms.

The following points are considered good practices for SMTEs to follow to in order to implement benchmarking for the industry:

- Customers are the focus point of the business - therefore SMTEs should pay more attention to their customers through analysing and identifying what are the current and potential customers' preferences in products and services offered by the firm. They should compare their products and services with their competitors to identify how they might improve their services in comparison to what competitors are offering in the

market. Firms should always aim to provide what the customer wants rather than what the firm can provide. *Identify products and services in customer terms.*

- The previous point will lead to identifying who the customers are, which includes knowing their numbers, age, locations, average spending, social status and any other special features. *Identify the customer's characteristics.*

- Firms must be made aware of the importance of being competitive, and motivational as well as informing programmes should be introduced to owner/managers to enhance the knowledge and application of competitiveness. Small firms should have a distinctive competitive advantage which is a product or service offered by the firm that is distinctively different. *Aim to have a competitive product that would offer the firm a competitive advantage over other firms.*

- Promotional methods should be given more attention. Trade fairs are considered useful in making contacts and networking as well as exploring the latest techniques related to the trade. This can be done by *encouraging promotional programmes.*

- Strategic planning for small firms needs to be implemented. It should cover issues such as analysis of environmental trends (threats and opportunities). Small firms should have a clear vision of where they want the firm to be in a few years from now and the means of interpreting such a vision. *Small firms should think strategically.*

Overall, the thesis recommend the participation (membership) of all Libyan SMTEs in an external marketing consortium that will lead them to proper implementation of benchmarking techniques which at the same time allow them to overcome their most feared obstacles - financial resources and marketing expertise.

### **7.5 General Recommendations (Libyan tourism authority)**

The tourism sector is important since tourism is regarded by the government as the real long term vehicle for development and the alternative to the declining oil industry. As

the tourism industry in Libya is relatively new, and therefore, the Tourist Authority has had difficulty developing the industry to become competitive in the international market. The development of the small firm sector should become a priority of the Libyan government's economic policy as it can play a major role in solving some of the economic problems in the country. The small business sector has the potential to grow, as reflected in the Libyan tourism industry, where the majority of businesses are small and medium. Understanding the industry and its organisations (small firm sector) is the key to development. This research has provided findings for this industry especially for small and medium-sized enterprises which can be used by the Authority to develop the country as one of the World's leading tourist destinations. Research shows that SMTEs (96%) regard the Authority to be important for the development of the industry, yet over 95% of SMTEs think that the Tourism Authority is unable to implement strategies as well as government support. The research also shows that SMTE relations with the Authority are very good. In order for Libyan SMTEs, and the public sector, to be able to make the country a competitive international destination, a set of best practices could be adopted by the Authority following the recommendations provided below. Recommendations in this research will be provided to the main stakeholders within the tourism industry, the government (Ministry of Tourism) and the SMTE sector.

The government can provide the necessary support for the small firm sector by providing certain help and assistance for small firms. The first step is to agree a unified definition of small firms taking into account the many criteria such as number of employees, annual turn-over and level of independence. The Ministry in charge of tourism should establish a body targeted towards small and medium-sized enterprises' development and devoted only to the small business sector to provide it with the support programmes necessary. It is essential for any SME support programme to concentrate on the infrastructure/institutions and networks promoting the creation and growth of SMEs. Therefore, the Ministry should concentrate on a support programme to initially include:

- Business services institutions (business advisory organisations, etc);
- Business incubation;
- Promotion of foreign direct investment and linkages;



- Creation of quality and environment management systems;
- Training and education;
- Financial instruments for new and growing SMEs.

This will allow such a unit to achieve the following tasks:

- Facilitate the procedures of starting up a new business by reducing bureaucratic barriers.
- Provide consultation services to small firms, (such services would vary from legal to financial services).
- Provide the necessary support required by small firms not only through the first stage of the business but through all different development stages.
- Facilitate access to financial resources at both national and international levels.
- As the nature and quality of scientific and technological information are crucial factors in determining the competitiveness of SMEs (Drilhon and Estime, 1993), it is vital for such a body to provide a maximum amount of relevant and updated information on the market place that will be helpful for the owner/managers in running their business effectively (such information can be obtained from different sources like journals, trade fairs, conferences, competitors, educational and training institutions and government agencies, etc).

Further to the support programme and in order to enhance the small firm sector within the industry, the GPCT should aim to achieve the following principles for the development of the SMTE sector and entrepreneurship:

1. The development of a favourable political and economic environment – policies and measures – aiming at the creation of a strong SME sector in the country;
2. Specific characteristics and needs of the SME sector have to be taken into account in the elaboration of the development policies; specific support measures and instruments aimed at the promotion of the SME sector should be adopted;

3. The definition of SMTEs should be either developed according to the local business environment and law or another definition from a neighbouring country should be adapted;
4. The Government should introduce relevant measures to improve legislation and simplify the procedures related to tourism activities (proposed tourism law should be assessed and recommended);
5. The Government should increase its efforts to reduce “red tape” and develop a more friendly and supportive business environment for SMEs by promotion of “good practice” and exchange of relevant information and experience;
6. The Government should continuously monitor and evaluate actions related to the improvement of the legal and business environment with regard to the impact on the growth of the SME sector;
7. The Government should set up - as part of its organisational structure - business support institutions (i.e. a National Tourism Council and a Chamber of Tourism) to provide services for SMTEs and entrepreneurs, and should encourage improving the services, at all levels;
8. Joint ventures, clusters, supply chains, sub-contracting and other forms of formal and informal networking among SMEs and entrepreneurs should be promoted and Government invited to develop measures and instruments to support them;
9. The importance of human resources development should be recognised.
10. Government, chambers of commerce, industry and crafts, employers and professional associations are invited to improve access of SMEs to quality advice and consulting services;
11. The NGOs (Libyan Tourism Society) should be invited to take a more active role in the creation and development of new businesses in the industry;
12. In order to pursue an effective SME policy, specific SME representative organisations should be involved in all phases of a social dialogue;
13. A diversification of financial support schemes should be introduced for different stages of the SME life cycle;

14. The dialogue with national and international financial institutions should be fostered in order to improve their awareness of the role of SMEs in the Libyan economy;
15. Authorities should be invited to seek possibilities of further development of public financial schemes at local, regional and national levels;
16. The Tourism Development Bank should be encouraged to take a leading role in providing financial services for SMTEs, and provide customised forms of finance (special credit facilities, micro-credit schemes, seed capital, guarantee schemes, leasing, venture capital, concepts on business angels), and other suitable forms, and therefore help reduce the financial constraints to the industry;
17. Conferences/seminars/workshops should be organised by the GPCT and other national and international institutions to identify and disseminate “good practices” in promoting entrepreneurship.

## **7.6 Recommendations for future research**

This research, which has built upon other studies of small firm marketing, has provided valuable insights for small firm and marketing researchers, marketing educators and above all policy makers especially within the Libyan tourism industry. However, many opportunities exist for further research of the small firm sector and entrepreneurial and small business marketing. Therefore, future research could be directed towards the following:

- It was noted that this research was only carried out in the tourism industry, opportunities exist to undertake similar research to survey small firms in sectors other than tourism. Research could also focus on specific categories of small firms such as high tech firms and fast growth firms, the result of which would be of interest to policy makers and educators.
- Business functions such as marketing, human resources, finance, etc, within the Libyan small firm sector need to be further investigated to establish best practices within this important sector.

- A comparison of studies between small firm marketing in the West and small firm marketing in Libya should be carried out to identify the strengths and weaknesses of both systems and to recommend 'best practice' for Libyan small firm marketing.
- Marketing practices for the small enterprise should also be researched to identify practices that are suitable for the Libyan small firm rather than trying to apply marketing theories which are primarily conducted on firms operating in different cultural settings.
- The role of networking in Libyan small firm marketing should also be investigated to highlight how networking is perceived by the Libyan small firm owner/managers.
- Research needs to be directed towards the relationship between the private and public sectors in Libya, and partnership models should be developed to encourage the private sector to engage in businesses considered by them as risky to cosset.
- A final key area of future research relates to the impact of information technology upon the Libyan small firm and small firm marketing. Many commentators argue that the potential impact of e-business on smaller firms is likely to be even more significant than for larger firms (Ritchie and Brindley, 2000).
- An investigation to discover if the marketing practices have improved as a result of using marketing services (such as printable materials and industry plans) provided by the government and other NGOs.

### **7.7 Summary and overall conclusion**

This chapter has set the corner stone for research into small and medium-sized enterprises in one of Libya's fastest growing economic sectors. As mentioned in the early chapters, no previous research has studied the small firm sector in Libya. This however, does not mean that this study is only beneficial to the tourism industry, it is predicted that it will be the basis for research into small businesses in the country across all economic sectors, such as industry and agriculture, where the government's direction is towards privatisation of the public sector as well as encouragement of foreign direct investment in the country.

This chapter has also highlighted the key outcomes and contributions of this research. It has highlighted the conclusions and contributions that pertain to each of the research sub-objectives. The research has identified the structure of Libyan SMTEs in accordance with the World Tourism Organisation's classifications of tourist establishments. It has also focused on understanding dimensions and parameters of the marketing interface. SMTE owner/managers concluded that marketing is regarded as vital for the survival and growth of the small firm and although owner/managers may not be aware of marketing theories, they still show interest in marketing their firms through networking and the different promotional programmes introduced whenever feasible.

Characteristics of entrepreneur/owner-managers within the Libyan tourism industry were identified, and the importance of previous experience and background knowledge of the owner/managers have proved essential in the success of the small firm. Further on, the research identified a number of factors that could affect the marketing interface within the small business. Such factors are regarded as important by the majority of businesses, with a different degree of importance according to the factor in question. Finally, the research has expressed the need for some immediate development in other sectors such as finance which was regarded as the top barrier due to restrictions imposed on money transfers and lack of advanced financial facilities provided by many financial institutions worldwide. The potential of the research agenda has been explained in the recommendations for future research.

The research has proved that the small firm is a key player in the tourism industry and that more needs to be done from both public agencies and private institutions to improve the sector and make it more competitive. It has also revealed that marketing theories may not be well recognised by the small firm owner/manager, which does not mean that marketing activities are not carried out by these managers. The research emphasised how SMTE owner/managers regard the marketing interface for the development of the business, although, they may not be aware of the affect that it might have on the business. This research has 'ignited the spark' for other researchers in the field to follow the path of studying the small firm sector within other industries in the Libyan economy.

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## **APPENDICES**

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**APPENDIX 1:**  
**TOURISM MAP OF LIBYA**



## Libya Tourist Map



## **APPENDIX 2:**

## **QUESTIONNAIRES**



## OWNER-MANAGER QUESTIONNAIRE

# The Role of the Marketing Interface in the Development of Libyan SMTEs

## Section One: Status of the Business

- Q1 Which of the following tourist activities is your business related to:**
- Tour operator* ..... ☐
- Travel agency* ..... ☐
- Transport operator* ..... ☐
- Hotel* ..... ☐
- Motel or Guest house* ..... ☐
- Hostel* ..... ☐
- Home stay* ..... ☐
- Camp site* ..... ☐
- Restaurant/cafe'* ..... ☐
- Souvenir/Gift shop* ..... ☐
- Visitor attraction* ..... ☐
- Museum* ..... ☐
- Car rental operator* ..... ☐
- Others please specify* \_\_\_\_\_
- Q2 Where is the location of the business's main office?**
- \_\_\_\_\_
- Q3 Do you have other offices or agencies?**
- |                     | <i>yes</i>               | <i>No</i>                |
|---------------------|--------------------------|--------------------------|
| In Libya            | <input type="checkbox"/> | <input type="checkbox"/> |
| Outside the country | <input type="checkbox"/> | <input type="checkbox"/> |
- Q4 Is your business:**
- Individually owned* ..... ☐
- Jointly owned* ..... ☐
- Part of a chain* ..... ☐
- Government owned* ..... ☐
- Others please specify* -----
- Q5 How long has the business been operating?**
- One year or less* ..... ☐
- Two years* ..... ☐
- Three years* ..... ☐
- Four years* ..... ☐
- Five years or more* ..... ☐

- Q6 Are you a member of any of the following?**  
*Libyan Tourism Society* ..... ☐  
*Arab Tourism Society* ..... ☐  
*IATA* ..... ☐  
*Others please specify* -----  
 -----
- Q7 How many employees does your business employ?**  
 Full time (more than 35 hours).. \_\_\_\_\_  
 Part time (less than 35 hours) \_\_\_\_\_  
 Seasonal employees (peak season only) \_\_\_\_\_
- Q8 Are your employees fully aware of the mission and objectives of the firm?**  
*Yes* ..... ☐  
*No* ..... ☐  
*Don't know*..... ☐
- Q9 Since the start of the business has the number of employees?**  
*Increased* ..... ☐  
*Decreased* ..... ☐  
*stayed the same*..... ☐
- Q10 How would you normally recruit your staff?**  
*Governmental manpower offices* ..... ☐  
*Educational and training establishments* ..... ☐  
*National and local press* ..... ☐  
*Through friends and relatives* ..... ☐  
*Others please specify* \_\_\_\_\_
- Q11 Do you provide any training for your staff?**  
*Yes* ..... ☐  
*No* ..... ☐

## Section Two: The Owner/Manager

- Q12 Have you owned or managed any businesses before this?**  
*Yes* ..... ☐  
*No* ..... ☐
- Q13 If the answer to Q12 is yes, was the business in the tourism industry?**  
*yes*..... ☐  
*No* ..... ☐
- Q14 How long did you work in the previous business?**  
*less than one year* ..... ☐  
*One to two years* ..... ☐  
*Three years or more*..... ☐

### Section Three: The Business Performance

**Q15** how would you rate your financial performance?

	<i>excellent</i>	<i>good</i>	<i>reasonable</i>	<i>not acceptable</i>
in 2002	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
in 2001	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
in 2000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
in 1999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
in 1998	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Q16** How do you compare the company's financial performance last year to the year before?

- More than 30% better (excellent)..... ☐
- Between 10% and 30% better (good)..... ☐
- Less than 10% better (reasonable)..... ☐
- worse than last year (not acceptable)..... ☐
- Other, please give percentage \_\_\_\_\_

**Q17** How do you compare the company's overall performance last year to the year before?

- More than 25% better..... ☐
- Less than 25% better..... ☐
- Worse than last year..... ☐
- Other, please give percentage \_\_\_\_\_

**Q18** How do you compare the company's overall performance in 2001 to 2000?

- More than 25% better..... ☐
- Less than 25% better..... ☐
- Worse than last year..... ☐
- Other, please percentage \_\_\_\_\_

**Q19** How do you compare the company's overall performance in 2000 to 1999?

- More than 25% better..... ☐
- Less than 25% better..... ☐
- Worse than last year..... ☐
- Other, please give percentage \_\_\_\_\_

**Q20** Has the number of tourists increased in 2002 compared to 2001?

- An increase of less than 20%..... ☐
- An increase of between 20 - 50%..... ☐
- An increase of more than 50%..... ☐
- Same number of tourists..... ☐
- A decrease in the number of tourists..... ☐
- Other, please give percentage \_\_\_\_\_

**Q21** Do you have any long term plans for the business?

- Yes..... ☐
- No..... ☐
- Not really sure..... ☐

- Q22** If the answer to Q21 is yes, what is the length of the plan?
- One to two years ..... ☐
- Two to five years ..... ☐
- More than five years ..... ☐
- Q23** If the answer to Q22 is yes, what aspects of the business does it include?
- Marketing ..... ☐
- Finance ..... ☐
- Personnel ..... ☐
- Purchasing ..... ☐
- Public relations ..... ☐
- Administration ..... ☐
- Others, please specify \_\_\_\_\_
- 
- Q24** How important do you view the following departments to your business?
- |                        | <i>extremely<br/>important</i> | <i>very important</i>    | <i>important</i>         | <i>not important</i>     | <i>don't know</i>        |
|------------------------|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Marketing              | <input type="checkbox"/>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Personnel              | <input type="checkbox"/>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Finance                | <input type="checkbox"/>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Administration         | <input type="checkbox"/>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Purchasing             | <input type="checkbox"/>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Sales                  | <input type="checkbox"/>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Public relations       | <input type="checkbox"/>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Information technology | <input type="checkbox"/>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Legal                  | <input type="checkbox"/>       | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
- Q25** How do you anticipate the business in the next 1-2 years?
- |                                   | <i>Expand</i>            | <i>Remain the same</i>   | <i>Decrease</i>          | <i>Don't know</i>        |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Number of customers               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Average spending by customers     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Financial turnover                | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Number of employees               | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Competition with other businesses | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
- Q26** Which of the following do you regard as obstacles to advancing the business?
- Government regulations ..... ☐
- Competition from other businesses ..... ☐
- Access to financial assistance ..... ☐
- Shortage of skilled personnel ..... ☐
- Lack of tourism knowledge and awareness ..... ☐
- Lack of co-ordination with governmental bodies ..... ☐
- Lack of use of technology in tourism ..... ☐
- Instability in market demand ..... ☐
- Q27** Are you planning to expand the business within the next two years?
- Yes ..... ☐
- No ..... ☐

- Q28 If the answer to Q27 is yes, please state your financial provider?**
- Bank..... ☐
- Other financial institutions..... ☐
- Business's own funds ..... ☐
- Private investors (i.e. friends or relatives)..... ☐
- Others please specify \_\_\_\_\_

- Q29 Do you use information technology facilities within the business?**
- Yes ..... ☐
- No ..... ☐

- Q30 If the answer to Q29 is yes, what is it used for?**
- Business correspondence ..... ☐
- Accounts ..... ☐
- Customer data ..... ☐
- Personnel records ..... ☐
- Reservations ..... ☐
- Marketing analysis & Business planning ..... ☐
- Brochure design ..... ☐
- Others please specify -----

### Section Four: Marketing

- Q31 Do you have a marketing department?**
- Yes ..... ☐
- No ..... ☐

- Q32 If the answer to Q31 is yes, what type of marketing planning do you have for your business?**
- Formal written plan ..... ☐
- Informal unwritten plan ..... ☐
- None ..... ☐

- Q33 How much of your annual budget do you spend on marketing activities?**
- Less than 10%..... ☐
- 10 - 20% ..... ☐
- More than 20% ..... ☐
- None ..... ☐

- Q34 How far in advance do plan your marketing programmes?**
- Six months or less ..... ☐
- One year ..... ☐
- More than one year and less than two years ..... ☐
- Three to five years ..... ☐
- No planning takes place..... ☐

**Q35 Do you carry out any formal market assessment?**  
 Yes ..... ☐  
 No ..... ☐

**Q36 If the answer to Q35 is yes, to which of the following does it apply?**

	Yes	No
Customer needs	<input type="checkbox"/>	<input type="checkbox"/>
Development of new products/services	<input type="checkbox"/>	<input type="checkbox"/>
Competition (local and national)	<input type="checkbox"/>	<input type="checkbox"/>
Effectiveness of your marketing	<input type="checkbox"/>	<input type="checkbox"/>
Visitor numbers	<input type="checkbox"/>	<input type="checkbox"/>
Visitor satisfaction	<input type="checkbox"/>	<input type="checkbox"/>
Developments in the international market	<input type="checkbox"/>	<input type="checkbox"/>

**Q37 Have you used or plan to use any of the following methods of promotion?**

	Already used	plan to use
Brochures	<input type="checkbox"/>	<input type="checkbox"/>
Discounted prices	<input type="checkbox"/>	<input type="checkbox"/>
Sponsorship	<input type="checkbox"/>	<input type="checkbox"/>
Internet promotion	<input type="checkbox"/>	<input type="checkbox"/>
International tourism shows	<input type="checkbox"/>	<input type="checkbox"/>
Local & National advertising and publicity	<input type="checkbox"/>	<input type="checkbox"/>
The use of promotional materials (i.e. pens, calendars...etc)	<input type="checkbox"/>	<input type="checkbox"/>
Competitions	<input type="checkbox"/>	<input type="checkbox"/>

Others please specify -----

**Q38 Does your business have a web-site?**  
 Yes ..... ☐  
 No ..... ☐  
 Working on a web-site ..... ☐  
 Planning to have a web-site ..... ☐

**Q39 If the answer to Q38 is yes, which of the following options does the web-site allow you to do ?**

	Yes	No	Don't know
Provide information on the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gives details of packages provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gives prices for all services provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allows direct e-booking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provides feedback on web-site visitors and requests	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gives access to contact company staff and partners	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Others, please specify -----

### Section Five: The Marketing Interface

Q40

**What do you think the marketing interface is?**

*The process of finding out how SMEs perceive and undertake marketing in their business* ..... ☐

*A fundamental variety of forces within and beyond the organisation* ..... ☐

*The marketing interface exists between the SME and external social entities*..... ☐

*Others, please specify* \_\_\_\_\_

Q41

**Do you consider the marketing interface to be important to the survival of your business?**

*Yes* ..... ☐

*No* ..... ☐

Q42

**What do you think are the main factors involved with the marketing interface?**

	<i>Extremely important</i>	<i>Very important</i>	<i>Important</i>	<i>Not important</i>	<i>Don't know</i>
Accessibility/Signage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
After sales support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Currency exchange	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electronic facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Friendliness of staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Information provided	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Multi-lingual	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Opening hours	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Others, please specify* -----

Q43

**Which of the following do you regard as a barrier to the marketing interface?**

	<i>A definite barrier</i>	<i>Maybe/maybe not</i>	<i>Not a barrier</i>
Financial facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Governmental assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability of tourism training programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The use of technology by the sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Research and development in the tourism sector in Libya	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Others, please specify* \_\_\_\_\_

Q44

**Do you believe that there is the existence of cultural and knowledge differences between SMTEs and other social entities?**

*Yes* ..... ☐

*No* ..... ☐

**Q45** If yes, what are these?

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**Q46** In your view will barriers that arise affect the operation of the SMTE's marketing interface?

Yes ..... ☐  
 No ..... ☐

**Q47** If yes, what are these?

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**Q48** Do you think that the background knowledge, experience and abilities of SMTEs' managers are key factors and determinants of SMTE's success through the marketing interface?

Yes ..... ☐  
 No ..... ☐

**Q49** Why do you think this is?

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**Q50** In your view can SMTEs use marketing tools for their strategic planning to influence the marketing interface?

Yes ..... ☐  
 No ..... ☐

**Q51** Why do you think this is?

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**Q52** Do small firms behave differently to existing marketing theories that can be applied to the marketing interface?

Yes ..... ☐  
 No ..... ☐



**Q53** Why is this the case?

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### **Section Six: Tourism Business Support**

**Q54** Do you think that local tourist offices are essential for the development of the industry?

- Yes ..... ☐
- No ..... ☐
- Don't know ..... ☐

**Q55** If the answer to Q54 is yes, for what of the following reasons have you based your answer?

- To mediate between SMTEs and local community ..... ☐
- To provide information for tourists ..... ☐
- To reserve the local areas used by tourists (ecotourism) ..... ☐
- To provide advice and information for SMTEs ..... ☐
- To provide plans for tourism development in the region ..... ☐
- To encourage local and foreign investors ..... ☐

**Q56** How do you view the role of the National Board for Tourism?

- Beneficial to SMTEs ..... ☐
- Beneficial to local communities ..... ☐
- Beneficial to the economy ..... ☐
- Lacks power to implement its strategies ..... ☐
- Lacks governmental support ..... ☐

**Q57**

☐☐

**Q58**



**Q59**

[illegible]

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## **APPENDIX 3: TOURISTS QUESTIONNAIRE**

## TOURIST QUESTIONNAIRE

# Libyan Tourism and Tourist Assessment Questionnaire Survey

- Q1 How old are you?**
- under 18 ..... ☐
- 18 - 24..... ☐
- 25 - 44..... ☐
- 45 - 60..... ☐
- Over 60..... ☐
- Q2 Are you male or female?**
- Male..... ☐
- Female ..... ☐
- Q3 Which of the following regions are you from?**
- Middle East..... ☐
- North Africa ..... ☐
- Mid & South Africa..... ☐
- European Union..... ☐
- Eastern Europe..... ☐
- Asia, Australia & New Zeland ..... ☐
- United States of America & Canada..... ☐
- Central & South America..... ☐
- Q4 What is your occupation?**
- Doctor ..... ☐
- Solicitor..... ☐
- Lecturer ..... ☐
- Civil servant..... ☐
- Self employed ..... ☐
- Others, please specify \_\_\_\_\_
- Q5 What is your annual income?**
- \$10,000 - \$15,000 ..... ☐
- \$15,000 - \$20,000 ..... ☐
- \$20,000 - \$25,000 ..... ☐
- \$25,000 - \$30,000 ..... ☐
- More than \$30,000 ..... ☐
- Q6 Which of the following holiday packages are you taking?**
- Archaeological Tour..... ☐
- Desert Tour ..... ☐

## Appendix 3: Tourists' Questionnaire

Akakus Tour ..... ☐  
 Coastal Tour ..... ☐  
 Tripolitania & Ghadames Tour..... ☐

### Q7 How do you rate the following?

	Excellent	Very good	Good	Poor	Very poor
Accommodation facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Choice of food	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Visa procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Friendliness of People	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Availability of information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Variety of tour packages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prices/value for money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flights to and from host country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
land transportation facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Places of interest (sightseeing)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Use of credit cards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Postal services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Services provided by tour operator	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Safety & security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Q8 How did this holiday meet with your expectations?

Better than expected (Delighted)..... ☐  
 As expected (Satisfied)..... ☐  
 Less than expected (Dissatisfied)..... ☐

### Q9 Would you like to repeat this visit?

Yes..... ☐  
 No ..... ☐

### Q10 How would you rate tourism in Libya?

Excellent ..... ☐  
 Good..... ☐  
 Average ..... ☐  
 Needs little improvement..... ☐  
 Needs lots of improvement ..... ☐

### Q11 Do you have any other comments?

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## **APPENDIX 4: INTERVIEW HANDBOOK**

**Appendix 5: Interview Handbook**

**UNIVERSITY OF GLAMORGAN  
PRIFYSGOL MORGANNWG**

**BUSINESS SCHOOL  
WELSH ENTERPRISE INSTITUTE**

**THE ROLE OF THE MARKETING INTERFACE IN THE  
DEVELOPEMNT OF LIBYAN SMALL AND  
MEDIUM-SIZED TOURISM ENTERPRISES**

**INTERVIEWS WITH KEY POLICY MAKERS**

**HANDBOOK**

**JULY 2002**

**Mokhtar Jwaili**  
SMTEs Researcher

**UNIVERSITY OF GLAMORGAN, BUSINESS SCHOOL**

**The Marketing Interface and SMTEs in Libya**

Interview No:

**Preamble**

- Firstly, thank you for your time today.
- To give you some background on this research - we are aiming to find out The Role of The Marketing Interface in The Development of Small and Medium-sized Enterprises within The Tourism Industry in Libya, and the forces that influence this process.
- This informal interview should take no longer than 30 minutes, but if you feel you'd like to contribute beyond this, we highly appreciate it and welcome your time.
- We have a series of questions to ask - these questions fall under the following headings:
  - Your Business and other related businesses
  - The tourism industry in Libya
  - The marketing and marketing interface
  - Support for SMTEs in Libya

**Confidentiality - we would like to reassure you that all information we collect from you today would be treated in the strictest confidence. Your interview will be coded to protect your anonymity.**



<b>UNIVERSITY OF GLAMORGAN, BUSINESS SCHOOL</b>
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<b>The Marketing Interface and SMTEs in Libya</b>
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<b>PERSONAL PROFILE</b>
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<b>Interview No:</b>
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Before we begin it would be useful for us if you could help with the following information:

<b>Name:</b>	
<b>Company:</b>	
<b>Position:</b>	
<b>History with Company:</b>	

<b>Name of interviewer:</b>	
<b>Location:</b>	
<b>Date:</b>	
<b>Time interview started:</b>	
<b>Time interview closed:</b>	
<b>Comments:</b>	

**University of Glamorgan  
Business School**

**The Marketing Interface and Libyan SMTEs**

**Interviews with SMTEs Owner-Manager**

**Interview Procedure**

**The welcome:** The key policy maker should be informed about:

- The nature of the research project
- The background to the interview
- The structure of the interview
- How long the interview will last

**Continuity:** The interviewer should be aware of:

- Responsibility for particular areas of questioning
- Changeover strategies between the different areas of the interview instrument
- The role of the interviewer in terms of control and co-ordination

**Closing the interview:** Before closing

- Let the key policy makers ask questions and/or
- Provide any additional information

An appropriate response should be made

In closing

- Inform the key policy maker of the outcomes of the interview
- Close the interview courteously

## **The University of Glamorgan, Business School**

### **The Marketing Interface and SMTEs in Libya**

#### **Questions for the interviews**

##### **Section One: Your Business**

Small and Medium-sized Enterprises are defined by The European Commission as follows:

'Micro' or 'very small enterprises' employ fewer than 10 people, 'small enterprises' between 10 and 49 people, and 'medium-sized enterprises' with more than 50 but fewer than 250.

Small tourism and hospitality firm is a business entity operating within the tourism and hospitality industry, which has neither the resources to have its own discrete marketing department with specialised job roles nor the funds to hire the services of an external marketing agency.

Q1- what qualifications and experience do you have?

Q2- how did you start the business?

Q3- how do you view your business?

Q4- what are the differences between your business when you first started and now?

Q5- how do you compare your business to other businesses in the sector?

Q6- how do you view the future of your business?

Q7- is your business a family business?

##### **Section Two: The Tourism Industry in Libya**

Tourism products include:

- |   |   |
|---|---|
| 1- Accommodation services.                                  | 2- Food and beverages serving services. |
| 3- Travel agency, tour operator and tourist guide services. | 4- Passenger transport services.        |
| 5- Cultural services.                                       | 6- Recreation and other entertainment.  |
| 7- Miscellaneous tourism services.                          |   |

Q8- how do you view the future of the Libyan tourism industry?

Q9- how do you compare your business to other businesses in the tourism sector?

Q10- do you think that the General Board for Tourism has a significant role in the development of SMTEs?

Q11- why is that?

Q12- do you think that policy intervention benefits the firm?

Q13- if yes, how does this happen - what should be done?

Q14- what do you know about the Tourism Master Plan?

Q15- do you think that the Tourism Master Plan is of significance to SMTEs?

Q15a- If yes, how do you think it should be developed?

Q15b- If not, what should be introduced to support SMTEs?

Q16- how does your business benefit from such a plan?

Q17- do you think that the plan should be reviewed every now and then to ensure its capabilities of dealing with the changes occurring in the international market?

### **Section Three: Marketing & The Marketing Interface**

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives.

The Marketing Interface is known as a fundamental variety of forces within and beyond the organisation.

The Marketing Interface claims the status of enduring shapers and creators of human experience.

Q18- how do you perceive marketing for the industry?

Q19- how do you perceive marketing for your business?

Q20- what in your opinion are the factors that influence the marketing interface?

Q21- how important do you regard the marketing interface?

Q22- how does the marketing interface affect your business?

Q23- how do you think a business can benefit from the marketing interface?

Q24- do you think that the background, experience and abilities of SMTE's managers are key factors and determinants of the SMTE's success through the marketing interface?

Q25- can SMTEs use marketing tools for their strategic planning to influence the marketing interface?

Q26- do small firms behave differently to existing marketing theories that can be applied to the marketing interface?

### **Section Four: Support for SMTEs in Libya**

All services provided for SMTEs whether financial or non-financial, government or non-government, national or international, are free or reasonably charged.

Q27- have you received any support (governmental or otherwise)?

Q27a- If yes, what type of support is provided and by whom?

Q28- what type of assistance are you hoping to receive from the government?

Q29- what type of assistance is hoping to receive from other organisations (i.e. banks)?